DOCUMENT RESUME

ED 212 790 CE 031 163

AUTHOR	Kromhout, Ora M.; And Others
TITLE	Personal Finances. Revised. Employability Skills Series.
INSTITUTION	Florida State Univ., Tallahassee. Career Education Center.
SPONS AGENCY	Florida State Dept. of Education, Tallahassee. Div. of Vocational Education.
PUB DATE	Jul 79
NOTE	176p.; For related documents see CE 031 154-166.
EDRS PRICE	MF01/PC08 Plus Postage.
DESCRIPTORS	Adult Education; Behavioral Objectives; *Budgeting; *Career Education; *Competency Based Education; Credit (Finance); *Employment Potential; Glossaries; Insurance; Learning Activities; Learning Modules; Loan Repayment; *Money Management; Performance Tests; Postsecondary Education; Secondary Education; Taxes; Units of Study
IDENTIFIERS	Employability Skills Series

ABSTRACT

This student booklet on personal finances is one of six in the Employability Skills Series, a set of instructional materials designed to teach secondary students and adults the skills involved in getting and keeping a job. The competency-based material is oriented to young adults but written at approximately the fifth-grade reading level. (An instructor's guide is available separately as CE 031 164.) Designed to show the student how to get the most out of his/her pay, the unit focuses on three areas: paychecks and taxes, spending money (credit, prompt pay bill payment, budgeting, insurance, borrowing money), and banking (savings and checking accounts). A list of 15 knowledge and performance objectives acts as a table of contents. For each objective there are several pages of instructions and some activities for practice. A performance test with performance checklist is provided for each performance objective; a self-test is provided for each knowledge objective. Answer keys are provided for activities and self-tests where needed. These other materials are also given: unit review and glossary. (YLB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED212790

Personal Finances

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

D. McQuat

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

CE031163

Personal Finances

July, 1979

State of Florida
DEPARTMENT OF EDUCATION
Ralph D. Turlington, Commissioner of Education
Tallahassee, Florida
An equal opportunity employer

DIVISION OF VOCATIONAL EDUCATION

This public document was promulgated at a cost of $4,370.00 or $1.45 per copy to provide educators with employability skills instructional materials to be used with secondary school students and adults.

Authorization for reproduction is hereby granted to the State System of Public Education as defined in 228.041 (1), Florida Statutes. No authorization is granted for distribution or reproduction outside the State System of Public Education, without prior approval in writing.

©State of Florida, Department of State, 1977, 1979.
First Edition published 1977. Revised Edition 1979.

Acknowledgments

The instructional materials developed by the Employability Skills Curriculum Team have been evaluated in a variety of vocational education and academic classrooms. The team would like to thank the educators who participated in the field testing of this booklet. They are: Kathryn Harrell, Ophelia Hix, Vera Holland, and La Donna Hutchinson, business education instructors; Nicholas Bravos, Juanita Carter, and Roy M. Nelson, business mathematics instructors; Susan Key, career education instructor; Janis Grogan, occupational specialist; Philip Ashler, Jr., Susan Smith, and Edwin Walters, mathematics instructors; Gerald Jowers, work experience instructor; and Fred Garner, agribusiness instructor.

The team would also like to thank the members of its Advisory Committee: Dale Ake, James Barge, Andrea Barrett, Elizabeth Cunningham, Jim Davis, Margaret Ferqueron, Ron Jeffries, Joe Kirkland, Tom Swift, and Gail Trapnell.

The Employability Skills Curriculum Team consists of Ora M. Kromhout, team leader and instructional designer; Linda W. Morse, instructional designer; Douglas R. Farrow, instructional designer and principal author of this unit; Barbara V. Fulghum, evaluator; Kathleen Lyons and Margaret A. Sagan, editors; and Lynn Rogers, graphic designer.

Personal Finances

Paychecks and Taxes

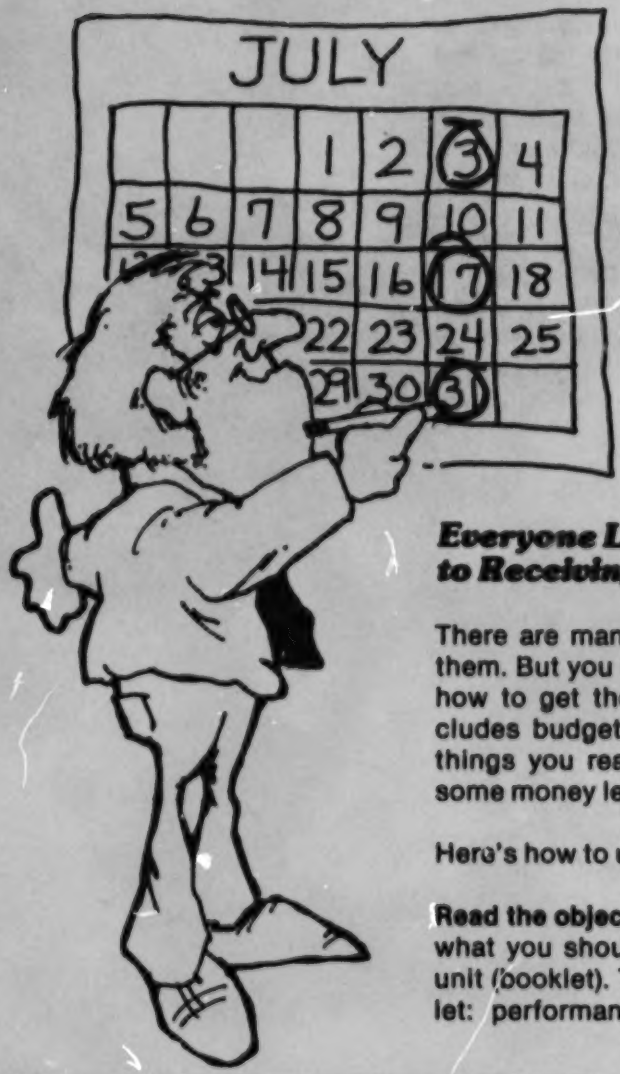
Collecting Your Pay
Learning about Fringe Benefits
Paying Taxes
Filing Federal Income Tax

Spending Your Money

Learning Smart Shopping Rules
Buying on Credit
Paying Your Bills on Time
Keeping a Budget
Developing a Budget
Finding Out about Insurance
Borrowing Money

Banking

Opening a Savings Account
Filling Out a Deposit Slip
Opening a Checking Account
Balancing Your Checkbook



Everyone Looks Forward to Receiving a Paycheck

There are many reasons for working; money is only one of them. But you need money to live. This booklet will show you how to get the most out of your hard-earned pay. This includes budgeting your money so that you can pay for the things you really *need*, handle emergencies, and still have some money left over for the things you *want*.

Here's how to use this booklet.

Read the objectives on page 7. The objectives tell you exactly what you should be able to do when you have finished the unit (booklet). There are two kinds of objectives in this booklet: performance objectives and knowledge objectives.

Performance objectives are marked with an arrow. A performance objective tells you what you must be able to *do*.

Do it!

Knowledge objectives tell you what you should *know* when you have completed the unit.

Work through the unit. For each objective, there are several pages of instruction and some activities that allow you to practice what you have learned. Each objective also has a test.

For each *performance objective,* you will take a performance test to see whether you have mastered the skills described in the performance checklist.

Each performance test includes a performance checklist that your instructor will use to see whether you have done the performance test correctly. After you finish a performance test, show your work to your instructor for approval. If it is correct, your instructor will initial the space beside that performance objective on page 7. If it is not correct, you will be asked to correct it or be given a chance to review before taking the performance test again.

For each *knowledge objective,* there is a self-test in the unit. The self-test gives you a chance to be sure you know the objective before you take the final unit test. Try to answer the self-tests without looking up the answers so that you will be prepared for the final unit test. Your instructor will give you this test when you finish the unit.

Review the unit. When you have finished the booklet, use the *Unit Review* on page 172 to be sure you know the answers to all of the knowledge objectives. This is also the time to check to see whether you have completed all the performance tests.

Take the final unit test. The unit test is a written, closed-book test. You probably won't have much trouble with the final unit test if you have read the information, done the activities, and answered the self-tests without looking back for the answers.

Use the glossary. Some of the words in this booklet may be new to you, or they may be used in a different way. At the end of the unit is a glossary, which is a list of words with their meanings. Use this list when you aren't sure what a word means.

That's how to use this booklet. Now start learning how to make the most of your money.

As you work through this booklet, you will see things printed in frames like this one. You won't be tested on this information, but you may find it helpful and interesting to read.

Objectives

After completing the unit, you should be able to:

		INFORMATION PAGES	TEST PAGES	INSTRUCTOR'S INITIALS ON PERFORMANCE TESTS
1.	List three paycheck deductions.	8-12	21	
2.	Identify four fringe benefits.	13 18	21	
3.	List three services that taxes pay for.	19-20	21	
Do it! 4.	Fill out a federal income tax form.	23-63	64-66	
5.	List five smart shopping rules.	74	75	
6.	List four dangers of buying on credit.	77-80	85	
7.	List three results of not making credit payments on time.	81-84	85	
8.	List three reasons for keeping a budget.	87-90	91	
Do it! 9.	Balance a personal budget.	93-104	105-106	
10.	Identify five types of insurance.	107-112	113	
11.	Identify high and low interest loan sources.	115-120	121	
12.	List three benefits of keeping a savings account.	123-128	129	
Do it! 13.	Fill out a deposit slip.	131-136	137-138	
Do it! 14.	Write a check.	139-146	147-148	
Do it! 15.	Balance a checkbook.	149-168	169-171	

Paychecks and Taxes

Collecting Your Pay

When you take a new job, you and your employer agree on your rate of pay. It may be an hourly, weekly, or monthly rate. But when you get your paycheck, you may find that it is smaller than you thought it would be. Read Sharon's story to see why.

Sharon knew just what she wanted to do with her first weekly paycheck. She had worked 40 hours a week at $2.40 an hour for a total of $96. But when she received her paycheck, it was for only $69.68! What had happened to the rest of her pay?

What Sharon didn't know was that some money would be taken out of her paycheck for taxes, insurance, and other payments—before she received it. These subtractions are called *deductions,* because the amount of money is deducted or taken away from a worker's pay by the employer before the paycheck is made out. Some deductions are required by law, such as Social Security and withholding tax. Deductions not required by law may include insurance payments, union dues, and retirement plan payments.

Finding out where her money went and why deductions were made helped Sharon get over some of her shock. Below is a copy of the statement that came with Sharon's check.

EMPLOYEE'S PAY STATEMENT

General Services, Inc.
1234 Broad Avenue
Jamestown, Florida 33127

HOURS		EARNINGS					DEDUCTIONS					
Regular	Overtime	Regular	Overtime	Bonus	Other	Gross Pay	FICA	Withholding Tax	Health Insurance	Labor Union Dues	Credit Union	Net Pay
40	——	96.00	——	——	——	96.00	5.62	12.70	3.00	——	5.00	69.68

Using the company handbook, Sharon figured out the meaning of each part of her pay statement. The *FICA* (Federal Insurance Contribution Act) deduction is for Social Security. Sharon and her employer pay equal amounts into Sharon's Social Security account. She pays about 6 percent of her earnings, and her employer pays the same amount. When she reaches retirement age, Sharon will receive monthly Social Security checks. When she dies, her family may receive some money from her Social Security account. And if a doctor says she is physically unable to work (disabled) before she retires, she may be able to receive monthly disability payments.

Withholding tax is the federal income tax deduction. This tax helps pay the cost of running the government. The more money a person makes, the more s(he) pays in income tax. Most beginning workers pay about 15 percent of their earnings for federal income tax. The law requires employers to deduct tax money from each employee's paycheck every pay period and send it to the federal government in Washington, DC. This way, the employee pays only a little of his/her taxes at a time, instead of having to pay a large amount all at once.

At the end of each year, Sharon's employer sends her a statement that shows how much she has earned during the year, how much was taken out for Social Security (FICA), and how much was withheld for federal income tax. When Sharon files her income tax return, she gives the government a copy of this statement to show how much withholding tax she has already paid. If too much income tax has been taken out each payday, she will get some money back from the government

after she files her income tax return. If too little was taken out, she will have to pay the difference.

Sharon pays $3 a week for her company's *health insurance* plan. This helps pay for her hospital and doctor bills. She does not belong to a labor union, so no *union dues* are deducted. She does belong to her company's *credit union* (a special bank for employees). Sharon saves $5 a week by having the money deducted from her paycheck and put directly into her savings account at the credit union.

Sharon's total deductions are $26.32. Since her *gross pay* (total pay before anything is taken out) is $96.00, her *net pay* (the amount left after deductions are subtracted from gross pay) is $69.68 ($96.00 - 26.32 = $69.68). This is the amount that appears on her paycheck.

Activity:

Deductions

1 The employee's pay statement on page 9 shows that Sharon has four deductions on her paycheck. List the four deductions and what they are for, starting with the largest amount and ending with the smallest.

a. _____

b. _____

c. _____

d. _____

2 Here are some terms that might show up on a pay statement with your paycheck. Fill in the blanks with the letter of the correct term on the left.

a. withholding tax
b. health insurance
c. gross pay
d. total deductions
e. FICA
f. net pay
g. credit union

____ federal income tax
____ the actual pay received after deductions have been made
____ all the deductions added together
____ Social Security; money for old age or disability
____ insurance to pay hospital and doctor bills
____ total amount of pay before anything is taken out

Turn the page to check your answers.

Check your answers with those below.

1. a. withholding (federal income) tax, $12.70
   b. FICA (Social Security), $5.62
   c. credit union, $5
   d. health insurance, $3

2. a federal income tax
   f the actual pay received after deductions have been made
   d all the deductions added together
   e Social Security; money for old age or disability
   b insurance to pay hospital and doctor bills
   c total amount of pay before anything is taken out

Learning about Fringe Benefits

In the last section you studied deductions, which are subtracted from your paycheck. Some of the deductions pay for benefits such as inexpensive health insurance and automatic savings at the company credit union. Many employers also offer other benefits that you don't pay for. Although these extras don't add money to your paycheck, they are worth money. These extras are called *employee benefits* or *fringe benefits*. They may make up for a smaller salary. Before you take a job, be sure to look carefully at the fringe benefits that may go with it. For example, which job in the following story would you rather have?

Jirn worked as a salesclerk in a clothing store. He liked his job—the pay was good and the hours were short. One morning his friend Ron walked in. Jim felt sorry for him because Ron worked as a stock clerk in a large department store. Ron's salary was small, and the work was fairly hard. Instead of a pleasant showroom, he worked in a storage room.

"Hello, Ron. What are you doing here at this hour of the morning? Did you quit your job?"

"Oh, no," answered Ron, "I'm on vacation this week. I came to buy some clothes for my trip to Washington."

"Vacation? But how can you afford to take a vacation?" asked Jim. "You'll lose a week's pay."

"The company I work for has a paid vacation plan," answered Ron, looking through some slacks.

"Paid vacation? You mean they pay you even when you're not working?"

"Sure. It's one of the fringe benefits my company offers. There are other benefits too—retirement, holidays, health insurance . . . "

"Health insurance?"

"Yes. The company pays part of my hospital and doctor bills when I'm sick. Here, I think I'd like to try on these pants."

Jim started thinking; he remembered when he was sick last year. He lost money when he couldn't work, and he paid a lot of doctor bills. The last time he took a day off to go fishing, he lost that day's pay as well. Maybe his job wasn't so good after all.

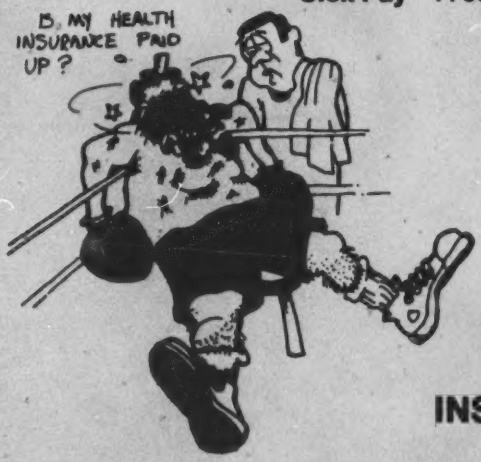
There are many kinds of fringe benefits. Here are some of the more common ones:

TIME OFF WITH PAY

Vacations A certain number of days off each year for vacation, with pay; usually one or two weeks.

Holidays Certain holidays off, with pay; for example, July 4, Labor Day, Thanksgiving, Christmas, New Year's Day.

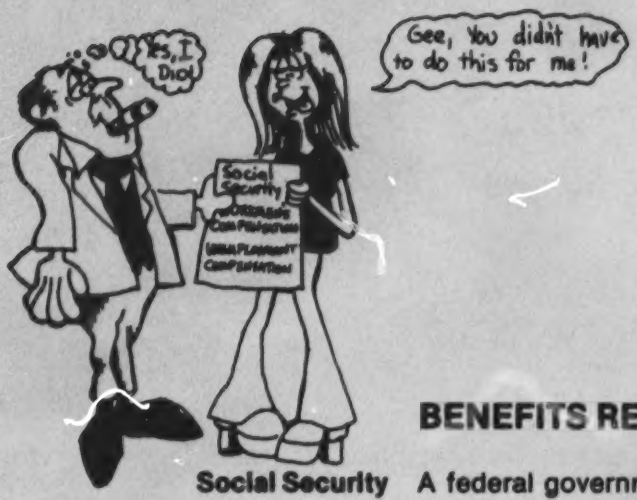
Sick Pay A certain number of days off each year for sickness, with pay.



INSURANCE PLANS

Health Insurance Low-cost insurance to help pay the employee's hospital and doctor bills.

Life Insurance Low-cost insurance that will pay a certain amount of money to a person named by the employee when the employee dies.



BENEFITS REQUIRED BY LAW

Social Security — A federal government program that provides regular income to retired and disabled people.

Workmen's Compensation — An insurance program that pays workers if they are hurt because of their jobs.

Unemployment Compensation — A government program that pays workers if they lose their jobs through no fault of their own, for example, if the employer goes out of business. To qualify, the worker must be able to work, but unable to find another job.

OTHER BENEFITS

Retirement Programs — Company programs that provide regular payments to the employee after retirement.

On-Site Medical Programs — Convenient, free, or inexpensive medical services.

Bonuses — Extra money given by some companies to their employees on special occasions such as Christmas.

Profit-Sharing Plans — Programs that allow the employee to buy company stock and earn profits (money) as the company grows.

Disability Benefits — Cash payments to an employee who is out of work because of a sickness or injury not caused by the job.

Education and Advancement Benefits — Free education and training for promotion; management training courses; on-the-job training.

Recreational Benefits — Company programs that provide discount tickets to amusement parks; sponsor team sports; and offer recreation areas, pools, or gymnasiums to employees.

Credit Unions — Special company banks that offer savings programs and low-cost loans for employees.

Activity:

Fringe Benefits

1

Match the name of the fringe benefit in Column 1 with its meaning in Column 2.

Column 1	Column 2
a. vacation	___ You receive medical care and cash payments after being hurt on the job.
b. health insurance	___ You receive cash payments if you lose your job through no fault of your own.
c. workmen's compensation	___ The hospital and doctor bills would really hurt you without this.
d. bonus	___ You receive an extra check for $25 at Christmas.
e. unemployment compensation	___ You have two weeks off, with pay, to use as you wish.
f. life insurance	

2 Which of the fringe benefits on pages 14-15 do you think are most important? Why?

a. _____

b. _____

c. _____

d. _____

3

Answer *yes* or *no* to each of the following questions.

a. Ralph was hurt while working at the new building site and will be unable to work for at least a year. Can he apply for unemployment compensation? _____

b. The Speedo Printing Company has gone out of business. Now Janet is out of a job. Can she apply for unemployment compensation? _____

c. After three years with the James Fabric Company, Henry has been laid off. Can he apply for workmen's compensation? _____

d. Karen can't work for a long time because she was badly injured at the chemical plant where she used to work. Can she apply for workmen's compensation? _____

Turn the page to check your answers.

Check your answers against those below.

1. Did you match each fringe benefit with its meaning?

c (workmen's compensation)	You receive medical care and cash payments after being hurt on the job.
e (unemployment compensation)	You receive cash payments if you lose your job through no fault of your own.
b (health insurance)	The hospital and doctor bills would really hurt you without this.
d (bonus)	You receive an extra check for $25 at Christmas.
a (vacation)	You have two weeks off, with pay, to use as you wish.

2. The answers to this question depend on what is important to you. You should have included four of the following:

vacations	retirement programs
holidays	on-site medical programs
sick pay	bonuses
health insurance	profit-sharing plans
life insurance	disability benefits
Social Security	education and advancement benefits
workmen's compensation	recreational benefits
unemployment compensation	credit unions

3. a. **No.** Ralph is unable to work because of his injury; so he does not qualify for unemployment compensation. Since he was injured at work, he can apply for workmen's compensation.
   b. **Yes,** if she cannot find work. Janet qualifies for unemployment compensation because she lost her job through no fault of her own and she is available for work.
   c. **No.** Workmen's compensation is for workers who are *hurt* on the job.
   d. **Yes.** Since Karen was injured on the job, she can apply for workmen's compensation.

Paying Taxes

Everybody pays taxes. They pay sales taxes when they buy things and property taxes if they own land. They pay income taxes out of their paychecks. Without taxes, the government would not have the money to pay for the many services that it provides.

The list below shows *some* of the services paid for by taxes. You may be able to think of others that are not shown. Look over the list and decide which of these services are most important to you.

armed forces
bus service
courts
elections
fire fighters
foreign aid
highways
hospitals
national parks
police
prisons
research
schools
space exploration
state employment services
veterans' benefits
welfare and food stamps

What happens if you do not pay your taxes? **Tax laws are very strict. You may have to pay a fine, or even go to prison if you break a tax law.**

Which three of the government services on page 19 do you think are most important?

1 _____

2 _____

3 _____

Name _____

Date _____

Self-Test

Objective 1

List three paycheck deductions.

1 _____

2 _____

3 _____

Objective 2

Match the fringe benefit to its meaning.

___1 life insurance

___2 retirement programs

___3 Social Security

___4 recreational benefits

a. company programs that provide regular payments to the employee after retirement

b. company programs such as discount tickets to amusement parks, recreation areas, and team sports

c. low-cost insurance that pays a certain amount of money to a person named by the employee when the employee dies

d. a federal government program that provides regular income to retired and disabled people

Objective 3

List three services that taxes pay for.

1 _____

2 _____

3 _____

Turn the page to check your answers.

Answers to Objective 1

withholding (federal income) tax

FICA (Social Security)

health insurance

union dues

retirement plan

credit union

If you could not list at least two of these deductions, review pages 8-12.

Answers to Objective 2

c 1.

a 2.

d 3.

b 4.

If you missed more than one, review pages 13-18.

Answers to Objective 3

armed forces	police
bus service	prisons
courts	research
elections	schools
fire fighters	space exploration
foreign aid	state employment services
highways	veterans' benefits
hospitals	welfare and food stamps
national parks	

If you could not list at least two of the preceding benefits, review pages 19-20.

Filing Federal Income Tax

Everyone who earns more than a certain amount of money during the year must complete a federal income tax form, also called a *tax return.* This amount of money changes each year. In 1976, for example, anyone who earned more than $2,450 was required to fill out a tax return.

Filing is the term that's used to mean filling out the return and sending it back to the government. This is something *every* worker must do *every* year by April 15. People who file their returns late must pay a late charge. If they wait too long, the government may take them to court for breaking the tax laws.

Each time you start a new job, you fill out a W-4 form, also called a *withholding form,* like the one on the next page. This is your way of telling your employer and the federal government how many *dependents* you have (people you support).

You don't need to fill out this W-4 form. Just look it over to see what kinds of information it asks for.

W-4 Form

Figure Your Total Withholding Allowances Below

(a) Allowance for yourself—enter 1 . . . . . _____

(b) Allowance for your spouse—enter 1 . . . . . _____

(c) Allowance for your age—if 65 or over—enter 1 . . . . . _____

(d) Allowance for your spouse's age—if 65 or over—enter 1 . . . . . _____

(e) Allowance for blindness (yourself)—enter 1 . . . . . _____

(f) Allowance for blindness (spouse's)—enter 1 . . . . . _____

(g) Allowance(s) for dependent(s)—you are entitled to claim an allowance for each dependent you will be able to claim on your Federal income tax return. Do not include yourself or your spouse* . . . . . _____

(h) Special withholding allowance—If you are single with only one employer, or married with only one employer and your spouse is not employed—enter 1** . . . . . _____

(i) Allowance(s) for credit(s)—enter the number from line (e) on the other side** . . . . . _____

(j) Allowance(s) for deductions—enter the number from line (n) on the other side** . . . . . _____

(k) Total—add lines (a) through (j) above. Enter here and on line 1, Form W-4 below . . . . . _____

*If you are in doubt as to whom you may claim as a dependent, see the instructions that came with your last Federal income tax return or call your local Internal Revenue Service office.

**This allowance is used solely for purposes of figuring your withholding tax, and cannot be claimed when you file your tax return.

Completing Form W-4

If you find that you are entitled to one or more allowances in addition to those which you are now claiming, increase your number of allowances by completing the form below and filing it with your employer. If the number of allowances you previously claimed decreases, you must file a new Form W-4 within 10 days. (Should you expect to owe more tax than will be withheld, you may use the same form to increase your withholding by claiming fewer or "0" allowances on line 1, or by asking for additional withholding on line 2, or both.)

▼ Give the bottom part of this form to your employer; keep the upper part for your records and information ▼

Detach along this line

Form **W-4**
(Rev. October 1976)
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate
(This certificate is for income tax withholding purposes only; it will remain in effect until you change it.)

NOTE: *If you incurred no tax liability for last year and anticipate no liability for this year, you may file Form W-4E to claim exemption from Federal income tax withholding. See Form W-4E for details.*

Type or print your full name _____ | Your social security number _____

Home address (Number and street or rural route) _____ | Marital status ☐ Single ☐ Married (If married but legally separated, or spouse is a nonresident alien, check the single block.)

City or town, State and ZIP code _____

1 Total number of allowances you are claiming . . . . . _____

2 Additional amount, if any, you want deducted from each pay (If your employer agrees) . . . . . $ _____

Under the penalties of perjury, I certify that the number of withholding exemptions and allowances claimed on this certificate does not exceed the number to which I am entitled.

Signature ▶ _____ Date ▶ _____, 19____

Each time you are paid, your employer *deducts* (takes out) some of your money for taxes. By looking at your W-4 form, your employer can see how many exemptions you claim, and s(he) then knows how much tax to take out of your pay. This money is sent to the Internal Revenue Service (IRS) in Washington, DC, as payment toward your income tax. That way, by the end of the year you will have already paid most, if not all, of your taxes.

The number of exemptions you have is determined by the number of people you support (dependents). We use the word *exemption* because, for each dependent you have, the government exempts you from paying part of your tax. This means that you will pay less tax if you have any children. Each child is a dependent and counts as one tax exemption. Persons that are disabled because of blindness or old age also pay less tax.

At the end of the year, each employer you have worked for during that year sends you a W-2 form, which tells you:

- how much money was taken out of your pay for federal income tax (see 1 on the form below)
- how much money your employer paid you for the year (see 2 on the form below)
- how much money was taken out of your pay for Social Security or FICA (see 3 on the form below).

Study the W-2 form below. Notice what information it gives.

W-2 Form

Wage and Tax Statement 1976

16-3948576
Saul's Dry Cleaning
662 Main Street
Panama City, Florida 32401

Type or print EMPLOYER'S name, address, ZIP code and Federal identifying number.

Copy C
For employee's records

Employee's social security number	1 Federal income tax withheld	2 Wages, tips, and other compensation	3 FICA employee tax withheld	4 Total FICA wages
234-56-7890	$36.42	$256.39	$15.68	

Type or print Employee's name, address, and ZIP code below

5 Was employee covered by a qualified pension plan, etc.?	6

Irene Kay Steiner
3 Fox Hill Drive
Panama City, Florida 32401

Form W-2 — This information is being furnished to the Internal Revenue Service. — Department of the Treasury—Internal Revenue Service
☆ U. S. GOVERNMENT PRINTING OFFICE: 1976 - 218-023 E 136-2441915

Your employer will give you two copies of the W-2 form. One copy is for your records and should be stored in a safe place. You must mail in the other copy with your income tax form.

Since you will need information from your W-2 form, you won't be able to file your income tax until you receive your copies of the W-2 form. If the amount of withholding tax (see 1 above) shown on your W-2 is not enough to cover your

income tax, you must send the federal government a check for the difference. If too much tax was taken out of your pay, the government will send you a refund. Just be sure to mail your completed tax form by April 15 with the W-2 form, along with a check or money order for any tax that has not already been paid.

If you need help in filling out your income tax form, you can pay income tax experts to do it for you. But you can get *free* help by calling or visiting your local Internal Revenue Service office.

Besides being responsible for collecting income tax, the IRS publishes many pamphlets that are designed to help taxpayers figure their tax. One of the publications that is especially helpful is *Instructions for Preparing Short Form 1040A.*

You can find the address and phone number of your local IRS office by looking in the phone book under "United States Government, Treasury Department, Internal Revenue Service." If there is no IRS office in your area, you can call the toll-free number listed in the phone book from anywhere in Florida.

Other free sources of help in filling out your tax form are the income tax services offered by many local groups and agencies. Watch for their ads in the newspaper and on radio and TV beginning around January of each year.

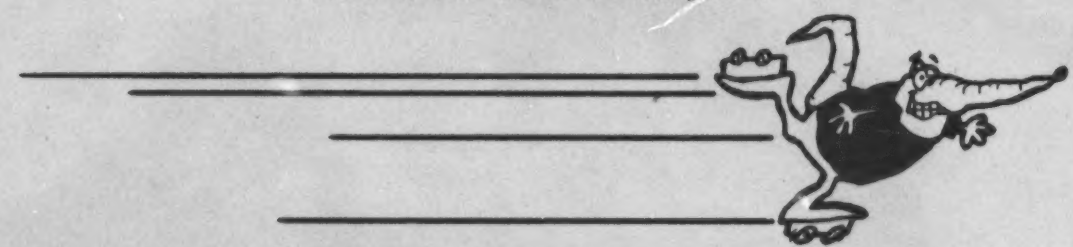
Completing the Federal Income Tax Form

There are two types of income tax forms: the short form (Form 1040A) and the long form (Form 1040). The short form is easier to fill out and, as a new worker, you will probably want to use it. However, after you have been working for a while, you may buy a home, put money in stocks, or give a lot of money to charity. Your taxes will then be harder to figure and you will need to use the long form. The instruction booklet that the government sends with the tax forms will help you decide which form to use. In general, use the short form when all your income is from wages and salaries. You may have to use the long form 1040 if your income comes from other sources, such as:

- when you have received more than $400 in interest (from your bank or savings account)
- when you have received more than $400 in dividends (from your stocks or bonds)
- when you want to itemize your deductions (list any of your expenses item by item if that will lower your tax)
- when you have received $20 or more in tips in any one month, and you did not fully report these tips to your employer.

It is not hard to get a tax form. If you mailed in a tax form last year, the government will mail you a form this year. You may also pick up forms and an instruction booklet at any Internal Revenue Service office. Many post offices also give out tax forms.

We are now going to go step-by-step through the 1976 Form 1040A, the short form. Although we are using a 1976 tax form in this booklet, you should be able to apply what you learn here to the current tax form. Tax forms do not change very much from year to year. The basic information that the government needs to know stays the same. If you can fill out and understand a 1976 tax form, you shouldn't have too much trouble with tax forms for other years.



Try to do each exercise as you come to it without looking up the answers. You'll have a hard time with the performance test later if you don't do the exercises.

The federal income tax form can be divided into six sections:

1

Personal information. Who are you? What is your address? What do you do for a living?

2

Filing status and exemptions. How many people do you support? Are you married or single? Are you over 64? Are you blind?

3

Campaign fund. Would you like to have $1 of your tax money put into the presidential election campaign fund?

4

Income. How much money did you make last year? Where did it come from?

5

Taxes. How much tax money do you owe? How much have you already paid? Does the government owe you money?

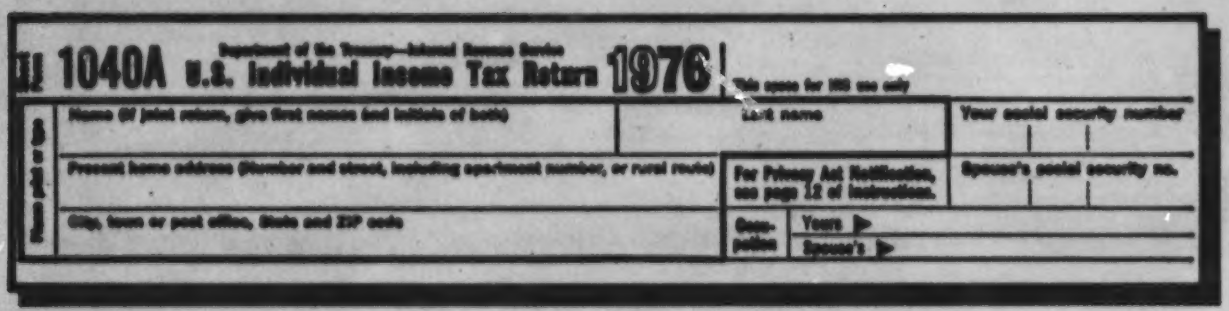
6

Signature. By signing your name, you give your word that everything you have written on the form is true.

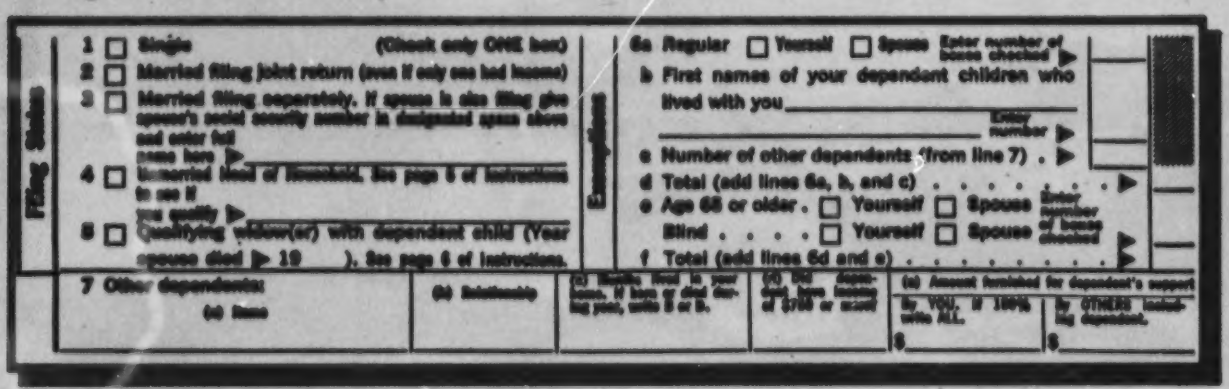
The front sections of the tax form are shown below, and the back sections of the form are shown on the next page of this booklet. You will learn to fill in each section later. Just look them over now.

Front of Form 1040A

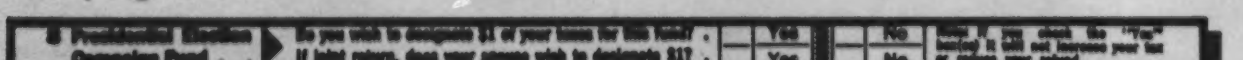
Personal Information



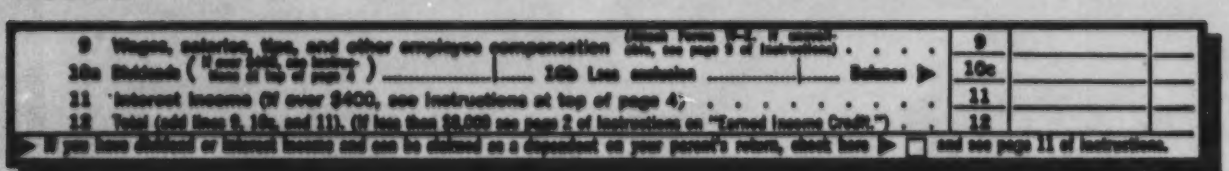
Filing Status and Exemptions


Filing Status
1 Single (Check only ONE box)
2 Married filing joint return (even if only one had income)
3 Married filing separately. If spouse is also filing give spouse's social security number in designated space above and enter full name here
4 Unmarried Head of Household. See page 6 of instructions to see if you qualify
5 Qualifying widow(er) with dependent child (Year spouse died 19). See page 6 of instructions.
Exemptions
6a Regular Yourself Spouse Enter number of boxes checked
b First names of your dependent children who lived with you
Enter number
c Number of other dependents (from line 7)
d Total (add lines 6a, b, and c)
e Age 65 or older Yourself Spouse
Blind Yourself Spouse Enter number of boxes checked
f Total (add lines 6d and e)
7 Other dependents:
(a) Name
(b) Relationship
(c) Months lived in your home. If born or died during year, write 12 or 0.
(d) Did dependent have income of $750 or more?
(e) Amount furnished for dependent's support
by YOU, if 100% while ALL
by OTHERS including dependent
$
$

Campaign Fund


Presidential Election Campaign Fund
Do you wish to designate $1 of your taxes for this fund?
If joint return, does your spouse wish to designate $1?
Yes
No
Yes
No

Income


9 Wages, salaries, tips, and other employee compensation
10a Dividends
10b Less exclusion
Balance
11 Interest income (If over $400, see instructions at top of page 4)
12 Total (add lines 9, 10c, and 11). (If less than $8,000 see page 2 of instructions on "Earned Income Credit.")
If you have dividend or interest income and can be claimed as a dependent on your parent's return, check here and see page 11 of instructions.

Back of Form 1040A

Taxes

Form 1040A (1976) — If you want IRS to figure your tax, see page 10 of Instructions. — Page 2

Standard Deduction

13a Enter amount from line 12 . . . . . — 13a

b If you checked the box on line . . . . { 2 or 5, enter the greater of $2,100 OR 16% of line 13a—but not more than $2,800 / 1 or 4, enter the greater of $1,700 OR 16% of line 13a—but not more than $2,400 / 3, enter the greater of $1,050 OR 16% of line 13a—but not more than $1,400 } — 13b

c Subtract line 13b from line 13a and enter difference . . . . . — 13c

14 Multiply total number of exemptions claimed on line 6f by $750 . . . . . — 14

15 Taxable income. Subtract line 14 from line 13c and enter difference . . . . . — 15

16 Tax { If line 15 is $20,000 or less, find tax in Tax Table on pages 13–15 . . . . / If line 15 is more than $20,000, use Tax Rate Schedule X, Y, or Z, on page 16 } . . . . — 16

17a Multiply $35.00 by the number of exemptions on line 6d . . . . . — 17a

b Enter 2% of line 15 but not more than $180 ($90 if box on line 3 checked) . . . — 17b

Enter larger of a or b

If box on line 3 is checked see page 11 of Instructions. — 17c

18a Subtract line 17c from line 16 and enter difference (but not less than zero) . . . . . — 18a

b Credit for contributions to candidates for public office (see page 11 of Instructions) . . . . . — 18b

19 Income tax. Subtract line 18b from line 18a and enter difference (but not less than zero) . . . . — 19

20a Total Federal income tax withheld (attach Forms W-2 to front) . . . — 20a

b Excess FICA, RRTA, or FICA/RRTA tax withheld (two or more employers—see page 11 of Instructions) . — 20b

c 1976 estimated tax payments (include amount allowed as credit from 1975 return) . — 20c

d Earned income credit (from page 2 of Instructions) . . . . . — 20d

Pay amount on line 22 in full with this return. Write social security number on check or money order and make payable to Internal Revenue Service.

21 Total (add lines 20a through 20d) . . . . . — 21

22 If line 19 is larger than line 21, enter BALANCE DUE IRS . . . . . ▶ — 22

23 If line 21 is larger than line 19, enter amount OVERPAID . . . . . ▶ — 23

24 Amount of line 23 to be REFUNDED TO YOU . . . . . ▶ — 24

25 Amount of line 23 to be credited on 1977 estimated tax . ▶ | 25 |

Signature

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign here

▶ Your signature — Date

▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

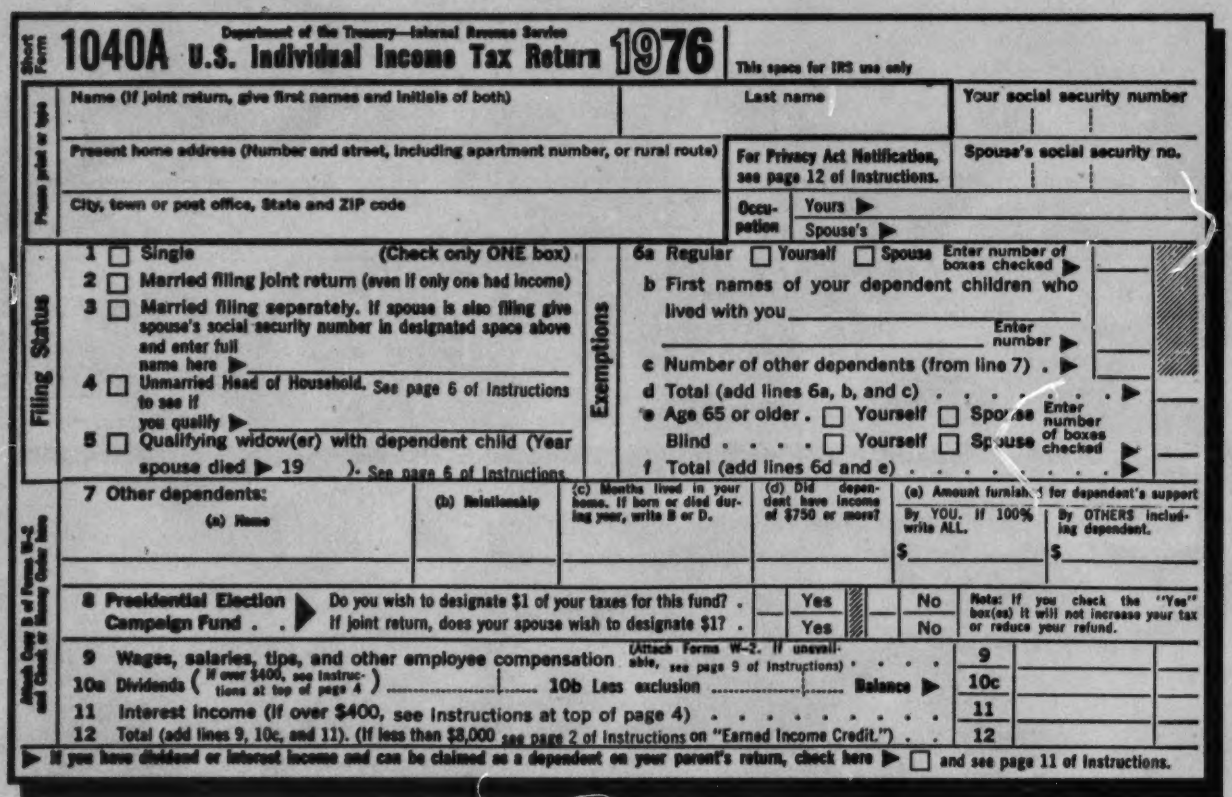
▶ Preparer's signature (and employer's name, if any) — Date

▶ Identifying number (see Instructions) — Address and ZIP code

You will find information about two taxpayers, Alice Kirk and Robert Price. We will use Alice's form to show exactly how a tax form should be filled out. After you have seen how Alice filled in each line of her form, you will fill in the same lines on a blank tax form for Robert Price. You'll know that it's your turn to fill out part of Robert's form when you see his picture and **DIRECTIONS THAT LOOK LIKE THIS.** Form 1040A is not hard to fill out as long as you take it one line at a time and follow all of the instructions.

Notice that the tax form includes references to page numbers. These pages do *not* refer to the pages in this booklet. They are pages in the government instruction booklet, which comes with the tax form.

References to Pages in Instruction Booklet



Short Form **1040A** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return 1976**

This space for IRS use only

Please print or type

Name (If joint return, give first names and initials of both) | Last name | Your social security number

Present home address (Number and street, including apartment number, or rural route) | For Privacy Act Notification, see page 12 of Instructions. | Spouse's social security no.

City, town or post office, State and ZIP code | Occupation: Yours ▶ Spouse's ▶

Filing Status

1 ☐ Single (Check only ONE box)
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separately. If spouse is also filing give spouse's social security number in designated space above and enter full name here ▶
4 ☐ Unmarried Head of Household. See page 6 of Instructions to see if you qualify ▶
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). See page 6 of Instructions

Exemptions

6a Regular ☐ Yourself ☐ Spouse Enter number of boxes checked ▶
b First names of your dependent children who lived with you
Enter number ▶
c Number of other dependents (from line 7) ▶
d Total (add lines 6a, b, and c) ▶
e Age 65 or older . ☐ Yourself ☐ Spouse Enter number of boxes checked ▶
Blind . . . ☐ Yourself ☐ Spouse
f Total (add lines 6d and e) ▶

Attach Copy B of Forms W-2 and Check or Money Order Here

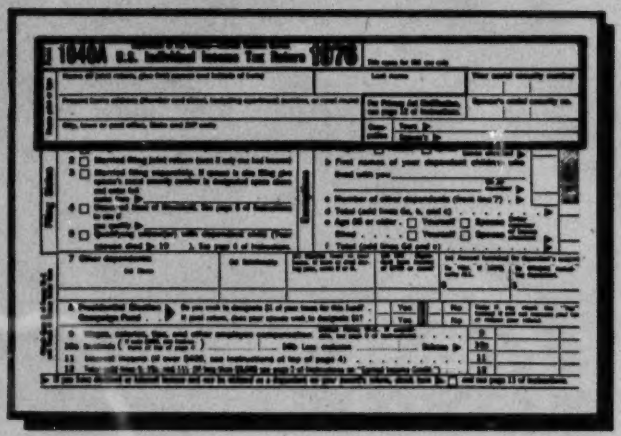
7 Other dependents:

(a) Name	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of $750 or more?	(e) Amount furnished for dependent's support: By YOU. If 100% write ALL.	By OTHERS including dependent.
				$	$

8 Presidential Election Campaign Fund . . ▶ Do you wish to designate $1 of your taxes for this fund? . Yes No
If joint return, does your spouse wish to designate $1? . Yes No
Note: If you check the "Yes" box(es) it will not increase your tax or reduce your refund.

9	Wages, salaries, tips, and other employee compensation (Attach Forms W-2. If unavailable, see page 9 of Instructions)	9	
10a	Dividends (If over $400, see Instructions at top of page 4)	10b Less exclusion	Balance ▶ 10c	
11	Interest income (If over $400, see Instructions at top of page 4)	11	
12	Total (add lines 9, 10c, and 11). (If less than $8,000 see page 2 of Instructions on "Earned Income Credit.") . .	12	

▶ If you have dividend or interest income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 11 of Instructions.



Personal Information

Alice S. Kirk lives at 24 West Third Street, Apartment 21, Palmas, Florida 32856. She is not married. Alice works as a salesclerk and her Social Security number is 222-22-2222. Notice how Alice filled out the first section of her tax form.

Alice's Tax Form

Short Form **1040A** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return 1976** This space for IRS use only

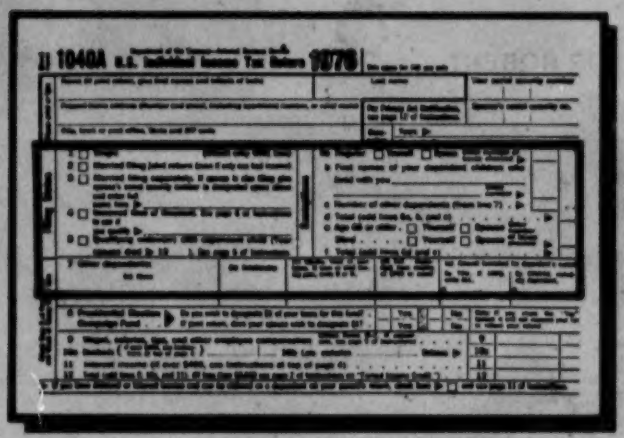
Please print or type

Name (If joint return, give first names and initials of both)	Last name	Your social security number
ALICE S.	KIRK	222 22 2222
Present home address (Number and street, including apartment number, or rural route)	**For Privacy Act Notification, see page 12 of instructions.**	**Spouse's social security no.**
24 WEST THIRD STREET, APT. 21		
City, town or post office, State and ZIP code	**Occupation** Yours ▶ SALESCLERK	
PALMAS, FLORIDA 32856	Spouse's ▶	

Married people can file their taxes together on the same form, called a *joint return.* In that case, both husband and wife put their first names and middle initials in the space where Alice put her name. Alice has no spouse, and so she left the spaces for spouse's (husband's or wife's) occupation and Social Security number blank.

Now let's find out about Robert. Robert W. Price lives at 662 Roberts Avenue, Smallville, Florida 32693. He is single and works as a radio announcer. Robert's Social Security number is 111-11-1111.

TURN TO THE BLANK TAX FORM YOUR INSTRUCTOR HAS GIVEN YOU AND FILL OUT THIS SECTION FOR ROBERT. Stop when you come to line 1. Then continue reading this booklet.



Filing Status and Exemptions

The next section of the tax form deals with the taxpayer's filing status and number of exemptions.

Single people should check the box on line 1. If a person were single but supporting a dependent, s(he) would be an unmarried head of household (box 4). Married people may file jointly (box 2) or separately (box 3). A person whose spouse has died but who still supports a dependent child is a widow(er) and should check box 5. If you think you are an unmarried head of household or a widow(er) with a dependent child, be sure to read the government instruction booklet to make sure you qualify.

Because Alice is unmarried and has no dependents, her filing status is single (box 1). Alice checked only one exemption, the one for herself, and put a *1* in the box opposite line 6a. Then she put a *1* in the boxes opposite lines 6d and 6f. Since she has no dependents besides herself, she left lines 6b, 6c, 6e, and 7 blank.

Alice's Tax Form

Filing Status

1 ☑ Single (Check only ONE box)
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separately. If spouse is also filing give spouse's social security number in designated space above and enter full name here ▶
4 ☐ Unmarried Head of Household. See page 6 of Instructions to see if you qualify ▶
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). See page 6 of Instructions.

Exemptions

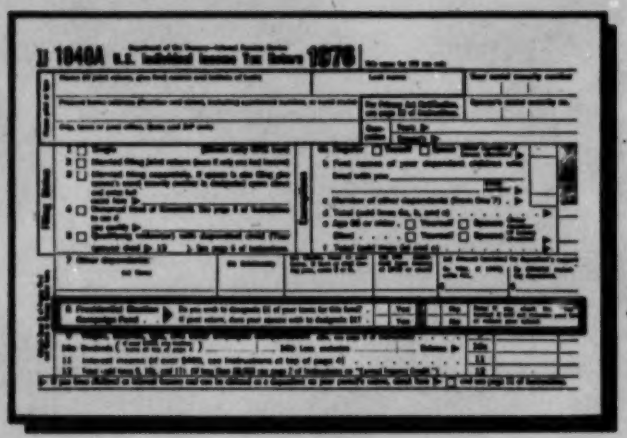
6a Regular ☑ Yourself ☐ Spouse Enter number of boxes checked ▶ 1
b First names of your dependent children who lived with you _____ Enter number ▶
c Number of other dependents (from line 7) ▶
d Total (add lines 6a, b, and c) ▶ 1
e Age 65 or older ☐ Yourself ☐ Spouse Blind ☐ Yourself ☐ Spouse Enter number of boxes checked ▶
f Total (add lines 6d and e) ▶ 1

7 Other dependents: (a) Name	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of $750 or more?	(e) Amount furnished for dependent's support: By YOU. If 100% write ALL.	By OTHERS including dependent.
				$	$

Notice line 6a where it says "Enter number of boxes checked." The tax form often uses the word *enter* to mean *write in.*

Robert is also single, and he has no dependents.

FILL IN THIS SECTION (LINES 1 THROUGH 7) FOR ROBERT.
Then continue reading.



Campaign Fund

Line 8 asks you whether you want to have $1 of your tax money put into the presidential election campaign fund. Giving to this fund won't raise or lower your tax. It won't make your refund smaller. It just means that of all the tax you pay, $1 will go into a campaign fund that is divided among all the candidates for president during the next election.

Alice decided not to designate $1 of her tax for this fund. She checked the first *No* box on line 8.

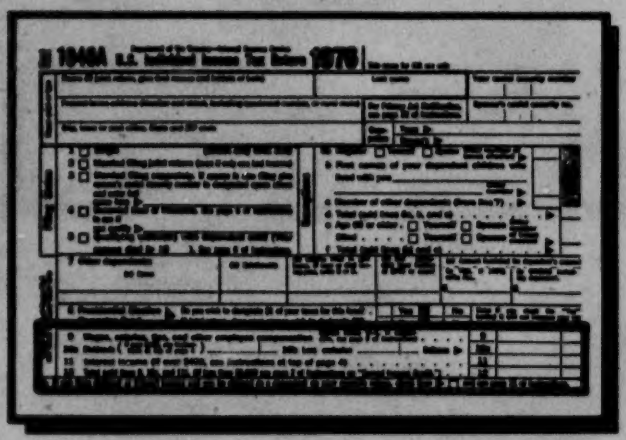
Alice's Tax Form

8 Presidential Election Campaign Fund . .	▶ Do you wish to designate $1 of your taxes for this fund? .		Yes	✓	No
	If joint return, does your spouse wish to designate $1? .		Yes		No

Note: If you check the "Yes" box(es) it will not increase your tax or reduce your refund.

Robert *does* want to give a dollar of his tax money to the presidential election campaign fund.

FILL IN LINE 8 FOR ROBERT.



Income

The next section of the tax form is used to find out how much money a taxpayer earned last year. This section was a little harder for Alice to fill out because she needed to copy some information from her W-2 form and her bank interest statement.

On line 9, Alice was asked how much money she earned from her job. To find out the exact amount, she looked at her W-2 form, which her employer had sent her at the end of the year. Alice copied the amount in box 2 of her W-2 form ("Wages, tips, and other compensation") onto line 9 of her tax form ("Wages, salaries, tips and other employee compensation").

Alice's W-2 Form

Wage and Tax Statement 1976

44-2245367
The Fashion Shop
579 East Fifth Street
Palmas, Florida 32855

Type or print EMPLOYER'S name, address, ZIP code and Federal identifying number.

Copy C
For
employee's records

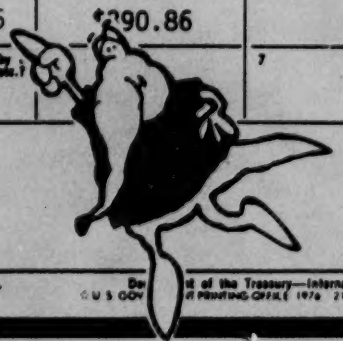
Employee's social security number	1 Federal income tax withheld	2 Wages, tips, and other compensation	3 FICA employee tax withheld	4 Total FICA wages
222-22-2222	$722.50	$6,681.25	$390.86	

Type or print Employee's name, address, and ZIP code below

Alice S. Kirk
24 West Third Street
Apt. 21
Palmas, Florida 32856

5 Was employee covered by qualified pension plan, etc.?

7



Form W-2 This information is being furnished to the Internal Revenue Service. Department of the Treasury—Internal Revenue Service

Alice's Tax Form

9	Wages, salaries, tips, and other employee compensation (Attach Forms W-2. If unavailable, see page 9 of Instructions)		9	6,681 25
10a	Dividends (If over $400, see instructions at top of page 4)	10b Less exclusion	Balance ▶	10c	
11	Interest income (if over $400, see Instructions at top of page 4)			11	
12	Total (add lines 9, 10c, and 11). (If less than $8,000 see page 2 of Instructions on "Earned Income Credit.")				

▶ If you have dividend or interest income and can be claimed as a dependent on your parent's return, check here ▶ ☐ structions.

Now look at Robert's W-2 form. Box 2 shows you how much money he made last year.

Robert's W-2 Form

Wage and Tax Statement 1976

41-6442440
WXYZ Broadcasting Company
2224 Melody Lane
Smallville, Florida 32691

Type or print EMPLOYER'S name, address, ZIP code and Federal identifying number.

Copy C
For employee's records

Employee's social security number	1 Federal income tax withheld	2 Wages, tips, and other compensation	3 FICA employee tax withheld	4 Total FICA wages
111-11-1111	$585.30	$6,422.35	$375.71	

Type or print Employee's name, address, and ZIP code below

5 Was employee covered by a qualified pension plan, etc.?	6	7

Robert W. Price
662 Roberts Avenue
Smallville, Florida 32693

Form W-2 — This information is being furnished to the Internal Revenue Service. — Department of the Treasury—Internal Revenue Service
U.S. GOVERNMENT PRINTING OFFICE 1976 218-035 [1-36 2661915]

FILL IN LINE 9 FOR ROBERT.

Line 10a is about the amount of money a taxpayer earned in dividends. Dividends are money that is made from owning stocks or bonds. Alice has no stocks or bonds. Therefore she has no dividends. She left line 10a blank.

Line 11 asks about interest income. If you keep some of your money in a savings account, the bank will pay you some money, called *interest*. You must pay taxes on any interest you make. At the end of the year, your bank will mail you a statement of interest so that you will know how much interest money you have made. Look at Alice's interest income statement on the next page.

Alice's Interest Income Statement

Statement for Recipients of **1976**

Interest Income

Copy B For Recipient

81-1215311
The Goodrich Bank
444 West Main Street
Palmas, Florida 32855

Type or print PAYER'S name, address, ZIP code, and Federal identifying number.

Any amount shown in box 3, Amount of forfeiture, may be deducted from the recipient's gross income to arrive at adjusted gross income on Form 1040 for Federal tax purposes even if deductions are not itemized.

Recipient's identifying number	1 Earnings from savings and loan associations, credit unions, etc.	2 Other interest on bank deposits, etc. (Do not include amounts from box 1)	3 Amount of forfeiture
222-22-2222		$39.63	

4 Foreign tax paid (If eligible for foreign tax credit)

5 Foreign Country or U.S. Possession

Type or print RECIPIENT'S name, address, and ZIP code below.

Alice S. Kirk
24 West Third Street
Apt. 21
Palmas, Florida 32856

If this form shows two or more recipients, the recipient whose Federal identifying number is shown should file a Form 1087–INT with the Internal Revenue Service for each of the other recipients and provide each with a copy. However, a husband or wife is not required to file a Form 1087–INT to show payments for the other.

This information is being furnished to the Internal Revenue Service.

Form **1099–INT** ☆ GPO 1975 O 575-093 Department of the Treasury—Internal Revenue Service

Alice's interest income statement shows that she earned $39.63 in interest last year. She wrote that amount on line 11 of her tax form.

Alice's Tax Form

9	Wages, salaries, tips, and other employee compensation (Attach Forms W-2. If unavailable, see page 9 of Instructions)	9	6,681 25
10a	Dividends (If over $400, see Instructions at top of page 4) 10b Less exclusion Balance ▶	10c	
11	Interest income (If over $400, see Instructions at top of page 4)	11	39 63
12	Total (add lines 9, 10c, and 11). (If less than $8,000 see page 2 of Instructions on "Earned Income Credit.")	12	

▶ If you have dividend or interest income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 11 of Instructions.

Leave lines 10a, 10b, and 10c of Robert's tax form blank since he does not own any stocks or bonds. But he does have a savings account. Look at Robert's interest income statement and find out how much interest he earned last year.

You may round off cents to the nearest dollar on your tax return. Amounts from 50 to 99 cents can be increased to the next dollar and amounts under 50 cents can be dropped. For example: $27.64 becomes $28, and $12.34 becomes $12.

Robert's Interest Income Statement

222-8197734
Smallville State Bank
234 Dollar Drive
Smallville, Florida 32691

Type or print PAYER'S name, address, ZIP code, and Federal identifying number.

Statement for Recipients of **1976**

Interest Income
Copy B For Recipient

Any amount shown in box 3, Amount of forfeiture, may be deducted from the recipient's gross income to arrive at adjusted gross income on Form 1040 for Federal tax purposes even if deductions are not itemized.

Recipient's identifying number	1 Earnings from savings and loan associations, credit unions, etc.	2 Other interest on bank deposits, etc. (Do not include amounts from box 1)	3 Amount of forfeiture
111-11-1111		$26.34	

Type or print RECIPIENT'S name, address, and ZIP code below.

Robert W. Price
662 Roberts Avenue
Smallville, Florida 32693

4 Foreign tax paid (If eligible for foreign tax credit)	5 Foreign Country or U.S. Possession

If this form shows two or more recipients, the recipient whose Federal identifying number is shown should file a Form 1087–INT with the Internal Revenue Service for each of the other recipients and provide each with a copy. However, a husband or wife is not required to file a Form 1087–INT to show payments for the other.

This information is being furnished to the Internal Revenue Service.

Form **1099–INT** ☆ GPO 1975 O 575-093 Department of the Treasury—Internal Revenue Service

FILL IN LINE 11 FOR ROBERT.

To get her total income (line 12), Alice added lines 9, 10c, and 11. Look at Alice's tax form below and notice how she filled in line 12.

Alice's Tax Form

9	Wages, salaries, tips, and other employee compensation (Attach Forms W-2. If unavailable, see page 9 of Instructions)	9	6,681 25
10a	Dividends (If over $400, see instructions at top of page 4) ..... 10b Less exclusion ..... Balance ▶	10c	
11	Interest income (If over $400, see Instructions at top of page 4)	11	39 63
12	Total (add lines 9, 10c, and 11). (If less than $8,000 see page 2 of Instructions on "Earned Income Credit.")	12	6,720 88

▶ If you have dividend or interest income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 11 of Instructions.

If Alice had earned less than $8,000 last year, *and* if she had supported a child *and* had paid more than half the cost of keeping her home, she would have qualified for a special 10% discount on her taxes. This is called *earned income credit.* It is explained in the government instruction booklet.

Robert's tax form should be filled out the same way. He does not qualify for the earned income credit.

FILL IN LINE 12 FOR ROBERT.

The last question Alice was asked on the front of the tax form was whether she had dividend or interest income and would be claimed as a dependent by her parents. She has no dividends (line 10a), but she did earn some interest income (line 11). But since she does not live at home, her parents don't claim her as a dependent. Therefore, she left the box under line 12 blank.

Alice's Tax Form

9	Wages, salaries, tips, and other employee compensation (Attach Forms W-2. If unavailable, see page 9 of Instructions)	9	6,681	25
10a	Dividends (If over $400, see instructions at top of page 4) 10b Less exclusion Balance ▶	10c		
11	Interest income (If over $400, see instructions at top of page 4)	11	39	63
12	Total (add lines 9, 10c, and 11). (If less than $3,000 see page 2 of instructions on "Earned Income Credit.")	12	6,720	88
▶ If you have dividend or interest income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 11 of Instructions.				

Robert also has interest income and he is also not supported by his parents. Since Robert is not claimed as a dependent by his parents, you should leave this space blank.

I'M HAVING TROUBLE FILLING OUT MY TAX FORM.
BOB MACDONALD-I'M A COUNTRY DOCTOR.
$4,500.00, FOUR COWS, TWO PIGS, THREE CHICKENS, AND A NEARSIGHTED GOAT!
WHAT'S YOUR NAME AND OCCUPATION?
LAST YEAR'S INCOME?
IRS

This completes the front of Alice's and Robert's tax forms. The remaining sections are found on the other side of the form. Compare the tax form you have filled out for Robert with the correct one shown here. Place a check (✓) beside any mistakes on your form. Then go back and review the instruction for each line on which you made a mistake. Correct all of your mistakes. When you have finished, turn your form over and get ready to fill out the back.

Robert's Tax Form (Front)

Short Form **1040A** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return** **1976**

This space for IRS use only

Please print or type

Name (If joint return, give first names and initials of both): ROBERT W. | Last name: PRICE | Your social security number: 111 | 11 | 1111

Present home address (Number and street, including apartment number, or rural route): 662 ROBERTS AVENUE | For Privacy Act Notification, see page 12 of instructions. | Spouse's social security no.

City, town or post office, State and ZIP code: SMALLVILLE, FLORIDA 32693 | Occupation: Yours ▶ RADIO ANNOUNCER; Spouse's ▶

Filing Status

1 ☑ Single (Check only ONE box)

2 ☐ Married filing joint return (even if only one had income)

3 ☐ Married filing separately. If spouse is also filing give spouse's social security number in designated space above and enter full name here ▶

4 ☐ Unmarried Head of Household. See page 6 of Instructions to see if you qualify ▶

5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). See page 6 of Instructions.

Exemptions

6a Regular ☑ Yourself ☐ Spouse — Enter number of boxes checked ▶ 1

b First names of your dependent children who lived with you _____ Enter number ▶

c Number of other dependents (from line 7) ▶

d Total (add lines 6a, b, and c) ▶ 1

e Age 65 or older ☐ Yourself ☐ Spouse; Blind ☐ Yourself ☐ Spouse — Enter number of boxes checked ▶

f Total (add lines 6d and e) ▶ 1

7 Other dependents: (a) Name	(b) Relationship	(c) Months lived in your home. If born or died during year, write B or D.	(d) Did dependent have income of $750 or more?	(e) Amount furnished for dependent's support: by YOU. If 100% write ALL.	by OTHERS including dependent.
				$	$

8 Presidential Election Campaign Fund ▶ Do you wish to designate $1 of your taxes for this fund? ✓ Yes ☐ No. If joint return, does your spouse wish to designate $1? Yes No. Note: If you check the "Yes" box(es) it will not increase your tax or reduce your refund.

Attach Copy B of Forms W-2 and Check or Money Order Here

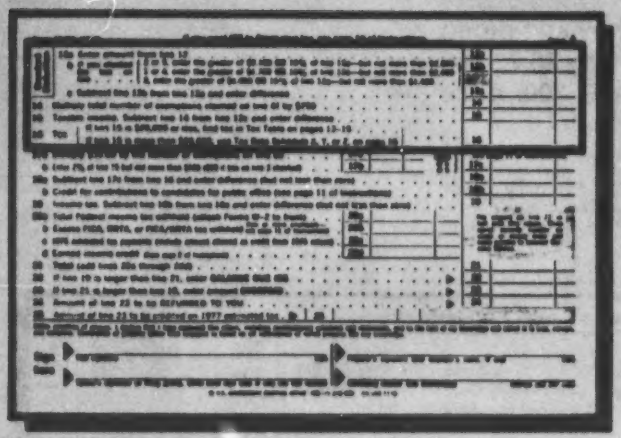
9 Wages, salaries, tips, and other employee compensation (Attach Forms W-2. If unavailable, see page 9 of Instructions)	9	6,422	35
10a Dividends (If over $400, see Instructions at top of page 4) 10b Less exclusion Balance ▶	10c		
11 Interest income (If over $400, see Instructions at top of page 4)	11	26	54
12 Total (add lines 9, 10c, and 11). (If less than $8,000 see page 2 of Instructions on "Earned Income Credit.")	12	6,448	89

▶ If you have dividend or interest income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 11 of Instructions.

On the back of the form, you'll notice that the IRS has offered to figure your tax for you. When it's time to file your own income tax return, you may decide to let the IRS help you with the back of the form. Fine! Just follow the directions in the government instruction booklet, and send in the tax form and your W-2 form by April 15.

Still, it's a good idea to learn how to figure your tax for yourself. That's what this section of *Personal Finances* is all about.

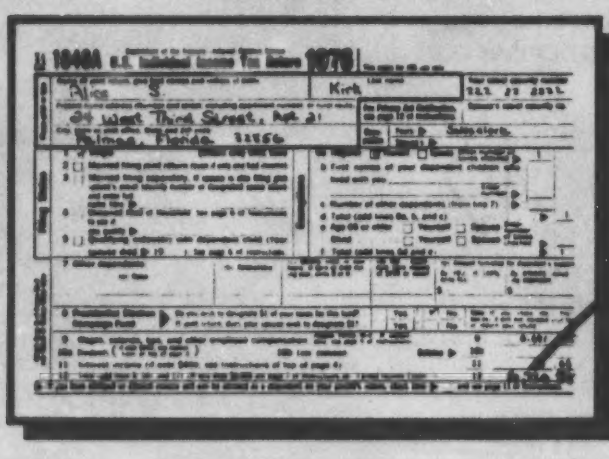
Alice didn't think she would have any difficulty filling out the tax form by herself; so she moved on to line 13a.



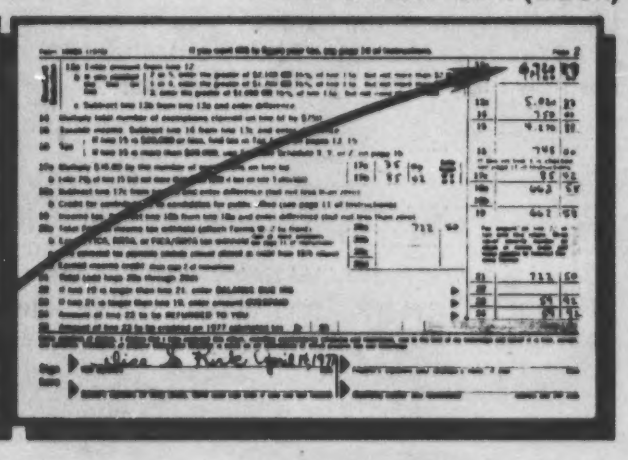
Taxes

On line 13a, Alice simply copied the amount she had entered on line 12.

Alice's Tax Form (Front)



Alice's Tax Form (Back)



FILL IN LINE 13a FOR ROBERT.

Line 13b gives three lines of instructions, but you need to follow only one line. The instructions you follow depend on which box you checked under *Filing Status* on the front of the form. If you checked box 2 or box 5, you follow the first line of instructions. If you checked box 1 or box 4, you follow the middle line. Follow the last line if you checked box 3.

Since Alice had checked box 1 on the front of the form under *Filing Status*, she followed the instructions in the second line. These instructions told her to write in *either* $1,700 *or* 16% of line 13a, whichever was larger, but not to enter more than $2,400.

Alice was not able to solve this problem until she had figured out what 16% of $6,720.88 is. She multiplied .16 by $6,720.88 and got $1,075.34. Since $1,075.34 is less than $1,700, Alice entered $1,700 on line 13b.

Then to find the amount to put on line 13c, Alice simply subtracted line 13b from line 13a ($6,720–$1,700 = $5,020.88).

Alice's Tax Form

Form 1040A (1975) — If you want IRS to figure your tax, see page 10 of instructions. — Page 2

Standard Deduction	13a	Enter amount from line 12	13a	6,720 88
	b	If you checked the box on line . . . . 2 or 5, enter the greater of $2,100 OR 16% of line 13a—but not more than $2,800 1 or 4, enter the greater of $1,700 OR 16% of line 13a—but not more than $2,400 3, enter the greater of $1,050 OR 16% of line 13a—but not more than $1,400	13b	1,700 00
	c	Subtract line 13b from line 13a and enter difference	13c	5,020 88
14		Multiply total number of exemptions claimed on line 6f by $750	14	
15		Taxable income. Subtract line 14 from line 13c and enter difference	15	
16	Tax	If line 15 is $20,000 or less, find tax in Tax Table on pages 13–15 If line 15 is more than $20,000, use Tax Rate Schedule X, Y, or Z, on page 16	16	

Line 13b is one of the hardest lines on the tax form since you must figure percentage. To find out what 16% of a number is, multiply the number by .16. For example:

16% of $100 = $100
.16
600
100
$16.00

Even if you find it difficult to multiply decimals, you must still file your income tax. The IRS will do your figuring for you if you follow the directions in the government instruction booklet.

16% of $1,500 = $1,500
.16
9000
1500
$240.00

A few examples of how to figure line 13b may be helpful here.

1. Enter the greater of $1,700 OR 16% of $15,100—but not more than $2,400.
   Since 16% of $15,100 is $2,416, the answer is *$2,400.* ($2,400 is the largest amount you can list.)

2. Enter the greater of $1,700 OR 16% of $9,650—but not more than $2,400.
   Since 16% of $9,650 is $1,544, the answer is *$1,700.* ($1,700 is the smallest amount you can list.)

3. Enter the greater of $1,700 OR 16% of $12,460—but not more than $2,400.
   Since 16% of $12,460 is $1,993.60, the answer is *$1,993.60.* ($1,993.60 is greater than $1,700.)

Activity:

Filling in Line 13b

In the problems below, the taxpayers have checked box 1 under *Filing Status* on the front of their tax forms. This means that the number they enter in line 13b will be the greater of $1,700 or 16% of line 13a—but not more than $2,400. Fill in line 13b for Anita, Raymond, and Margaret.

1. Anita's Tax Form

Form 1040A (1978) — If you want IRS to figure your tax, see page 10 of instructions. — Page 2

Standard Deduction	13a	Enter amount from line 12	13a	15,200 00
	b	If you checked the box on line . . . . { 2 or 5, enter the greater of $2,100 OR 16% of line 13a—but not more than $2,800 / 1 or 4, enter the greater of $1,700 OR 16% of line 13a—but not more than $2,400 / 3, enter the greater of $1,050 OR 16% of line 13a—but not more than $1,400 }	13b	
	c	Subtract line 13b from line 13a and enter difference	13c	
14		Multiply total number of exemptions claimed on line 6f by $750	14	
15		Taxable income. Subtract line 14 from line 13c and enter difference	15	
16	Tax	{ If line 15 is $20,000 or less, find tax in Tax Table on pages 13–15 / If line 15 is more than $20,000, use Tax Rate Schedule X, Y, or Z, on page 16 }	16	

2. Raymond's Tax Form

Form 1040A (1978) — If you want IRS to figure your tax, see page 10 of instructions. — Page 2

Standard Deduction	13a	Enter amount from line 12	13a	12,500 00
	b	If you checked the box on line . . . . { 2 or 5, enter the greater of $2,100 OR 16% of line 13a—but not more than $2,800 / 1 or 4, enter the greater of $1,700 OR 16% of line 13a—but not more than $2,400 / 3, enter the greater of $1,050 OR 16% of line 13a—but not more than $1,400 }	13b	
	c	Subtract line 13b from line 13a and enter difference	13c	
14		Multiply total number of exemptions claimed on line 6f by $750	14	
15		Taxable income. Subtract line 14 from line 13c and enter difference	15	
16	Tax	{ If line 15 is $20,000 or less, find tax in Tax Table on pages 13–15 / If line 15 is more than $20,000, use Tax Rate Schedule X, Y, or Z, on page 16 }	16	

3. Margaret's Tax Form

Form 1040A (1978) — If you want IRS to figure your tax, see page 10 of instructions. — Page 2

Standard Deduction	13a	Enter amount from line 12	13a	10,600 00
	b	If you checked the box on line . . . . { 2 or 5, enter the greater of $2,100 OR 16% of line 13a—but not more than $2,800 / 1 or 4, enter the greater of $1,700 OR 16% of line 13a—but not more than $2,400 / 3, enter the greater of $1,050 OR 16% of line 13a—but not more than $1,400 }	13b	
	c	Subtract line 13b from line 13a and enter difference	13c	
14		Multiply total number of exemptions claimed on line 6f by $750	14	
15		Taxable income. Subtract line 14 from line 13c and enter difference	15	
16	Tax	{ If line 15 is $20,000 or less, find tax in Tax Table on pages 13–15 / If line 15 is more than $20,000, use Tax Rate Schedule X, Y, or Z, on page 16 }	16	

Check your answers on the next page.

Check your answers.

1. Anita's Tax Form

16% of $15,200 = $2,432

$15,200	$2,432 is more than $2,400; so Anita wrote in $2,400 on line 13b.
.16	
91200	
15200	
2,432.00	

2. Raymond's Tax Form

16% of $12,500 = $2,000

$12,500	$2,000 is greater than $1,700 but it is less than $2,400; so Raymond wrote in $2,000 on line 13b.
.16	
75000	
12500	
2,000.00	

3. Margaret's Tax Form

16% of $10,600 = $1,696

$10,600	$1,696 is less than $1,700; so Margaret wrote in $1,700 on line 13b.
.16	
63600	
10600	
1,696.00	

Before you did the activity on decimals, you saw how Alice filled in lines 13b and 13c of her tax form.

Robert has the same filing status that Alice does: single. As a single person, he must enter either $1,700, 16% of line 13a, or $2,400 on line 13b.

FILL IN LINES 13b AND 13c FOR ROBERT. When you finish, compare your form to the one on the next page.

Here's how you should have filled in lines 13a, 13b, and 13c for Robert:

Robert's Tax Form

Form 1040A (1976)	If you want IRS to figure your tax, see page 10 of instructions.		Page 2
Standard Deduction	13a Enter amount from line 12	13a	6,448 69
	b If you checked the box on line . . . . { 2 or 5, enter the greater of $2,100 OR 16% of line 13a—but not more than $2,800 / 1 or 4, enter the greater of $1,700 OR 16% of line 13a—but not more than $2,400 / 3, enter the greater of $1,050 OR 16% of line 13a—but not more than $1,400	13b	1,700 00
	c Subtract line 13b from line 13a and enter difference	13c	4,748 69
14	Multiply total number of exemptions claimed on line 6f by $750	14	
15	Taxable income. Subtract line 14 from line 13c and enter difference	15	
16	Tax { If line 15 is $20,000 or less, find tax in Tax Table on pages 13–15 / If line 15 is more than $20,000, use Tax Rate Schedule X, Y, or Z, on page 16 }	16	

Go back and review the instruction for any lines on which you made a mistake. Make sure you understand what you did wrong, and then correct your answers.

On line 14, Alice was asked to multiply the number of exemptions that she had claimed on line 6f by $750. Since she had claimed only one exemption—herself—she entered $750 on line 13.

To fill in line 15, Alice subtracted line 14 from line 13c.

Alice's Tax Form

Form 1040A (1976)	If you want IRS to figure your tax, see page 10 of instructions.		Page 2
Standard Deduction	13a Enter amount from line 12	13a	6,720 88
	b If you checked the box on line . . . . { 2 or 5, enter the greater of $2,100 OR 16% of line 13a—but not more than $2,800 / 1 or 4, enter the greater of $1,700 OR 16% of line 13a—but not more than $2,400 / 3, enter the greater of $1,050 OR 16% of line 13a—but not more than $1,400	13b	1,700 00
	c Subtract line 13b from line 13a and enter difference	13c	5,020 88
14	Multiply total number of exemptions claimed on line 6f by $750	14	750 00
15	Taxable income. Subtract line 14 from line 13c and enter difference	15	4,270 88
16	Tax { If line 15 is $20,000 or less, find tax in Tax Table on pages 13–15 / If line 15 is more than $20,000, use Tax Rate Schedule X, Y, or Z, on page 16 }	16	748 00

Robert also claims only one exemption—himself.

FILL IN LINES 14 AND 15 FOR ROBERT.

To fill in line 16, Alice had to look up her taxes in the tax tables contained in the government instruction booklet. Since she had entered less than $20,000 on line 15, she was directed to the tax table on pages 13-15 in the government instruction booklet. If she had entered $20,000 or more on line 15, she would have had to use the tax rate schedule on page 16 of the instruction booklet.

Alice could not just look up the tax for $4,270.88. The tables aren't set up that way. Instead of giving the tax for her *exact* taxable income, the tables give the tax for all incomes that fall within a certain range.

Look at the tax table on this page of your booklet. Notice the two columns headed *Over* and *But not over.* These columns list the two amounts that the income you are looking for must fall *between.* Since Alice was looking up the tax for $4,270.88, she ran her finger down the column marked *But not over* until she came to the first number over $4,270.88. The first number in the *But not over* column larger than $4,270.88 is $4,300. Alice underlined that line of numbers. That line shows the tax for all taxable incomes between $4,250 and $4,300.

Tax Table

If line 15 (taxable income) is—		And you are—				If line 15 (taxable income) is—		And you are—				If line 15 (taxable income) is—		And you are—			
Over	But not over	Single	Married filing jointly *	Married filing separately	Head of a household	Over	But not over	Single	Married filing jointly *	Married filing separately	Head of a household	Over	But not over	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
0	4	0	0	0	0	1,275	1,300	191	191	196	193	2,575	2,600	422	422	436	394
4	25	2	2	2	2	1,300	1,325	195	195	200	197	2,600	2,625	426	426	440	398
25	50	5	5	5	5	1,325	1,350	199	199	204	201	2,625	2,650	431	431	445	402
50	75	9	9	9	9	1,350	1,375	203	203	208	205	2,650	2,675	436	436	449	406
875	900	128	128	134	134	2,175	2,200	347	347	356	320	3,900	4,000	695	695	656	616
900	925	132	132	138	138	2,200	2,225	351	351	360	324	4,000	4,050	695	695	665	625
925	950	136	136	141	141	2,225	2,250	355	355	364	328	4,050	4,100	706	707	674	634
950	975	139	139	145	145	2,250	2,275	360	360	368	332	4,100	4,150	716	718	684	644
975	1,000	143	143	148	148	2,275	2,300	364	364	372	336	4,150	4,200	727	729	693	653
1,000	1,025	147	147	152	152	2,300	2,325	368	368	376	340	4,200	4,250	737	740	703	663
1,025	1,050	151	151	156	156	2,325	2,350	372	372	380	344	4,250	4,300	748	751	712	672
1,050	1,075	155	155	160	160	2,350	2,375	376	376	384	348	4,300	4,350	758	762	722	682
1,075	1,100	159	159	164	164	2,375	2,400	380	380	388	352	4,350	4,400	769	773	731	691
1,100	1,125	163	163	168	168	2,400	2,425	384	384	392	356	4,400	4,450	779	784	741	701
1,125	1,150	167	167	172	172	2,425	2,450	388	388	396	360	4,450	4,500	790	795	750	710
1,150	1,175	171	171	176	176	2,450	2,475	392	392	400	364	4,500	4,550	800	806	760	720
1,175	1,200	175	175	180	180	2,475	2,500	396	396	404	368	4,550	4,600	811	817	769	729
1,200	1,225	179	179	184	184	2,500	2,525	400	400	408	372	4,600	4,650	821	828	779	739
1,225	1,250	183	183	188	188	2,525	2,550	404	404	412	376	4,650	4,700	832	839	788	748
1,250	1,275	187	187	192	192	2,550	2,575	408	408	416	380	4,700	4,750	842	850	798	758

Alice found four numbers on the line she had underlined. After reading the four column headings, she found that the first column was for single taxpayers like herself. She drew a circle around the amount in that column ($748) so that she would be able to find it later. She wrote $748 on line 16.

Here's another example of how to use the tax table. Suppose that your taxable income is $46.25. Run your finger down the *But not over* column until you find the first amount that is over $46.25. The first amount is $50; so draw a line under that line of figures.

Check to be sure it is the line you want. Is $46.25 over $25? *Yes*, it is. But not over $50? *No*, it's not. You have the correct line. Now circle the number in the *Single* column. That amount is $5.

Tax Table

If line 15 (taxable income) is—		And you are—				If line 15 (taxable income) is—		And you are—				If line 15 (taxable income) is—		And you are—			
Over	But not over	Single	Married filing separately	Head of a household	Married filing jointly *	Over	But not over	Single	Married filing separately	Head of a household	Married filing jointly *	Over	But not over	Single	Married filing separately	Head of a household	Married filing jointly *
		Your tax is—						Your tax is—						Your tax is—			
0	4	0	0	0	0	1,275	1,300	191	191	186	183	2,575	2,600	422	422	406	394
4	25	2	2	2	2	1,300	1,325	195	195	190	187	2,600	2,625	426	426	410	398
25	50	5	5	5	5	1,325	1,350	199	199	194	191	2,625	2,650	431	431	415	402
50	75	9	9	9	9	1,350	1,375	203	203	198	194	2,650	2,675	436	436	419	406
75	100	12	12	12	12	1,375	1,400	207	207	202	198	2,675	2,700	441	441	424	410
100	125	16	16	16	16	1,400	1,425	211	211	206	202	2,700	2,725	445	445	428	414
125	150	19	19	19	19	1,425	1,450	215	215	210	206	2,725	2,750	450	450	433	418
150	175	[illegible]	[illegible]	23	23	1,450	1,475	219	219	214	209	2,750	2,775	455	455	437	422
175	200	[illegible]	[illegible]	26	26	1,475	1,500	223	223	218	213	2,775	2,800	460	460	442	426
200	225	[illegible]	[illegible]	30	30	1,500	1,525	227	227	222	217	2,800	2,825	464	464	446	430
225	250	[illegible]	[illegible]	33	33	1,525	1,550	231	231	226	221	2,825	2,850	469	469	451	434
250	275	[illegible]	[illegible]	37	37	1,550	1,575	236	236	230	224	2,850	2,875	474	474	455	438
275	300	[illegible]	[illegible]	40	40	1,575	1,600	240	240	234	228	2,875	2,900	479	479	460	442
300	325	[illegible]	[illegible]	44	44	1,600	1,625	244	244	238	232	2,900	2,925	483	483	464	446
325	350	[illegible]	[illegible]	47	47	1,625	1,650	248	248	242	236	2,925	2,950	488	488	469	450
350	375	[illegible]	[illegible]	51	51	1,650	1,675	253	253	246	239	2,950	2,975	493	493	473	444
375	400	[illegible]	[illegible]	54	54	1,675	1,700	257	257	250	243	2,975	3,000	498	498	478	448
400	425	[illegible]	[illegible]	58	58	1,700	1,725	261	261	254	247	3,000	3,050	505	505	485	454
425	450	[illegible]	[illegible]	61	61	1,725	1,750	265	265	258	251	3,050	3,100	514	514	494	463
450	475	[illegible]	[illegible]	65	65	1,750	1,775	270	270	262	254	3,100	3,150	524	524	503	471
475	500	[illegible]	[illegible]	[illegible]	68	1,775	1,800	274	274	266	258	3,150	3,200	533	533	512	480
500	525	[illegible]	[illegible]	72	72	1,800	1,825	278	278	270	262	3,200	3,250	543	543	521	488
525	550	76	76	75	75	1,825	1,850	282	282	274	266	3,250	3,300	552	552	530	497
550	575	79	79	79	79	1,850	1,875	287	287	278	269	3,300	3,350	562	562	539	505
575	600	83	83	82	82	1,875	1,900	291	291	282	273	3,350	3,400	571	571	548	514
600	625	87	87	86	86	1,900	1,925	295	295	286	277	3,400	3,450	581	581	557	522
625	650	91	91	90	90	1,925	1,950	299	299	290	281	3,450	3,500	590	590	566	531
650	675	94	94	93	93	1,950	1,975	304	304	294	284	3,500	3,550	600	600	575	539
675	700	98	98	96	96	1,975	2,000	308	308	298	288	3,550	3,600	609	609	584	548
700	725	102	102	100	100	2,000	2,025	312	312	302	292	3,600	3,650	619	619	593	556
725	750	106	106	103	103	2,025	2,050	317	317	307	296	3,650	3,700	628	628	602	565
750	775	109	109	107	107	2,050	2,075	322	322	311	300	3,700	3,750	638	638	611	573
775	800	113	113	110	110	2,075	2,100	327	327	316	304	3,750	3,800	647	647	620	582
800	825	117	117	114	114	2,100	2,125	331	331	320	308	3,800	3,850	657	657	629	590
825	850	121	121	117	117	2,125	2,150	336	336	325	312	3,850	3,900	666	666	638	599
850	875	124	124	121	121	2,150	2,175	341	341	329	316	3,900	3,950	676	676	647	607
875	900	128	128	124	124	2,175	2,200	346	346	334	320	3,950	4,000	685	685	656	616
900	925	132	132	128	128	2,200	2,225	350	350	338	324	4,000	4,050	695	694	665	625
925	950	136	136	131	131	2,225	2,250	355	355	343	328	4,050	4,100	706	707	674	634
950	975	139	139	135	135	2,250	2,275	360	360	347	332	4,100	4,150	716	718	684	644
975	1,000	143	143	138	138	2,275	2,300	365	365	352	336	4,150	4,200	727	729	693	653
1,000	1,025	147	147	142	142	2,300	2,325	369	369	356	340	4,200	4,250	737	740	703	663
1,025	1,050	151	151	146	146	2,325	2,350	374	374	361	344	4,250	4,300	748	751	712	672
1,050	1,075	155	155	150	149	2,350	2,375	379	379	365	348	4,300	4,350	758	762	722	682
1,075	1,100	159	159	154	153	2,375	2,400	384	384	370	352	4,350	4,400	769	773	731	691
1,100	1,125	163	163	158	157	2,400	2,425	388	388	374	356	4,400	4,450	779	784	741	701
1,125	1,150	167	167	162	161	2,425	2,450	393	393	379	360	4,450	4,500	790	795	750	710
1,150	1,175	171	171	166	164	2,450	2,475	398	398	383	364	4,500	4,550	800	806	760	[illegible]
1,175	1,200	175	175	170	168	2,475	2,500	403	403	388	368	4,550	4,600	811	817	769	729
1,200	1,225	179	179	174	172	2,500	2,525	407	407	392	372	4,600	4,650	821	828	779	739
1,225	1,250	183	183	178	176	2,525	2,550	412	412	397	376	4,650	4,700	832	839	788	748
1,250	1,275	187	187	182	179	2,550	2,575	417	417	401	380	4,700	4,750	842	850	798	758

*This column is to be used by a qualifying widow(er).

Continued on next page

Activity:

Tax Tables

Use the tax tables on page 48 to find the correct amount of tax for each of the following.

1 Find the tax for a single person with a taxable income of $2,235.

Answer: _____

2 Find the tax for an unmarried head of a household with a taxable income of $3,366.

Answer: _____

3 Find the tax for a single person with a taxable income of $4,500.

Answer: _____

Turn the page to check your answers.

Check your answers.

1. $355

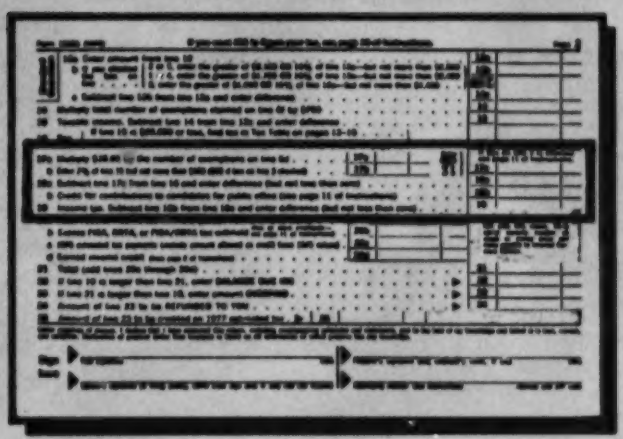
2. $548

3. $790 (Did you answer $800? If you did, you went down one line too far. That line is for incomes *over* $4,500.)

Now that you've had some practice in using the tax tables, you're ready to fill out line 16 for Robert.

Like Alice, Robert is single and has an income of less than $20,000.

FILL IN LINE 16 FOR ROBERT.



Taxes

Notice that there are three parts to the *taxes* section of the form. The part you just finished tells you what your tax would be *if* you had no exemptions. The next part lets you lower your tax by using your exemptions. The final part of the *taxes* section tells you exactly how much money you must give the government, or how much money it must give back to you!

To complete line 17a, Alice multiplied the number of exemptions on line 6d by $35. Since she had claimed only one exemption, she had entered a *1* on line 6d. Alice multiplied $35 by 1 and then wrote $35 on line 17a.

Alice's Tax Form

17a	Multiply $35.00 by the number of exemptions on line 6d	17a	35	00	Enter larger of a or b	If box on line 3 is checked see page 11 of instructions.
b	Enter 2% of line 15 but not more than $180 ($90 if box on line 3 checked)	17b				17c
18a	Subtract line 17c from line 16 and enter difference (but not less than zero)					18a
b	Credit for contributions to candidates for public office (see page 11 of instructions)					18b
19	Income tax. Subtract line 18b from line 18a and enter difference (but not less than zero)					19

To complete line 17b, Alice had to find 2% of line 15. If that amount were more than $180, however, she would have put $180 on line 17b. (If she were married and filing a separate form from her husband, that amount could not be more than $90.) Alice found 2% of line 15 and entered that amount on line 17b (.02 × $4,270.88 = $85.42).

Alice's Tax Form

17a	Multiply $35.00 by the number of exemptions on line 6d	17a	35 00	Enter larger of a or b	If box on line 3 is checked see page 11 of Instructions. 17c	
b	Enter 2% of line 15 but not more than $180 ($90 if box on line 3 checked)	17b	85 42		18a	
18a	Subtract line 17c from line 16 and enter difference (but not less than zero)				18b	
b	Credit for contributions to candidates for public office (see page 11 of Instructions)				19	
19	Income tax. Subtract line 18b from line 18a and enter difference (but not less than zero)					

To find 2% of a number, you must multiply the number by .02. Here are a few examples:

$400.00	$333.33	$4,246.21	$3,456.78
.02	.02	.02	.02
$8.0000 = $8.00	$6.6666 = $6.67	$84.9242 = $84.92	$69.1356 = $69.14

Robert is single and has only one exemption listed on line 6d. Therefore, the amount you put on line 17b of Robert's form cannot be more than $180.

FILL IN LINES 17a AND 17b FOR ROBERT.

Alice nearly missed the directions for line 17c, because they do not begin on the left side of the page the way the other directions do. The directions simply say to enter whichever number is *larger*, 17a or 17b. Since the amount on line 17b ($85.42) is larger than the amount on line 17a ($35), Alice wrote $85.42 on line 17c.

Alice's Tax Form

17a	Multiply $35.00 by the number of exemptions on line 6d	17a	35 00	Enter larger of a or b	If box on line 3 is checked see page 11 of Instructions. 17c	85 42
b	Enter 2% of line 15 but not more than $180 ($90 if box on line 3 checked)	17b	85 42		18a	
18a	Subtract line 17c from line 16 and enter difference (but not less than zero)				18b	
b	Credit for contributions to candidates for public office (see page 11 of Instructions)				19	
19	Income tax. Subtract line 18b from line 18a and enter difference (but not less than zero)					

On line 18a, Alice was asked to subtract line 17c from line 16 and put the difference on line 18a. If the difference had been less than zero (line 17c is larger than line 16), she would have written in a zero.

Alice's Tax Form

17a	Multiply $35.00 by the number of exemptions on line 6d	17a	35 00	Enter larger of a or b	If box on line 3 is checked see page 11 of Instructions. 17c	85 42
b	Enter 2% of line 15 but not more than $180 ($90 if box on line 3 checked)	17b	85 42		18a	662 58
18a	Subtract line 17c from line 16 and enter difference (but not less than zero)				18b	
b	Credit for contributions to candidates for public office (see page 11 of Instructions)				19	
19	Income tax. Subtract line 18b from line 18a and enter difference (but not less than zero)					

Taxpayers who have given money to political candidates will pay less tax if they fill in line 18b. Half of the money a taxpayer gives to political candidates, but not more than $25, may go on this line. (This money does *not* include the $1 that may be designated to the presidential campaign fund on line 8.) You don't write anything on this line unless you gave money to political candidates.

Alice had given no money to political candidates. Therefore, she left line 18b blank.

On line 19, Alice subtracted line 18b from line 18a. If the difference had been less than zero, she would have put a zero on line 19.

Alice's Tax Form

17a	Multiply $35.00 by the number of exemptions on line 6d	17a	35	00	Enter larger of a or b	If box on line 3 is checked see page 11 of Instructions.		
b	Enter 2% of line 15 but not more than $180 ($90 if box on line 3 checked)	17b	85	42		17c	85	42
18a	Subtract line 17c from line 16 and enter difference (but not less than zero)					18a	662	58
b	Credit for contributions to candidates for public office (see page 11 of Instructions)					18b		
19	Income tax. Subtract line 18b from line 18a and enter difference (but not less than zero)					19	662	58

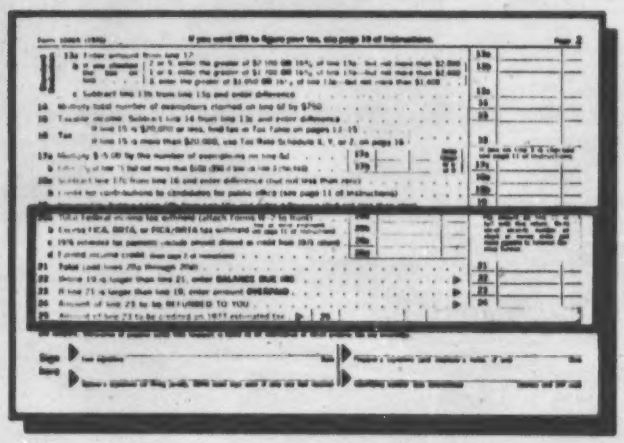
Robert did not make any contributions to candidates for public office, either.

FILL IN LINES 17c, 18a, 18b, AND 19 FOR ROBERT. When you have finished, turn the page to check your work.

Robert's Tax Form

14	Multiply total number of exemptions claimed on line 6f by $750					14	750 00
15	Taxable income. Subtract line 14 from line 13c and enter difference					15	3998 69
16	Tax { If line 15 is $20,000 or less, find tax in Tax Table on pages 13–15 / If line 15 is more than $20,000, use Tax Rate Schedule X, Y, or Z, on page 16 }					16	685 00
17a	Multiply $35.00 by the number of exemptions on line 6d	17a	35	00	Enter larger of a or b	If box on line 3 is checked see page 11 of instructions.	
b	Enter 2% of line 15 but not more than $180 ($90 if box on line 3 checked)	17b	79	97		17c	79 97
18a	Subtract line 17c from line 16 and enter difference (but not less than zero)					18a	605 03
b	Credit for contributions to candidates for public office (see page 11 of Instructions)					18b	
19	Income tax. Subtract line 18b from line 18a and enter difference (but not less than zero)					19	605 03

Go back and review the instruction for any lines on which you made a mistake. Make sure you understand what you did wrong, and then correct your answers.



Taxes

On line 20a, Alice was asked to enter the total amount of federal income tax withheld from her pay. To answer this, Alice had to look at her W-2 form. She found the box labeled *Federal income tax withheld* and wrote that amount on line 20a of her income tax form.

Alice's W-2 Form

Wage and Tax Statement 1976

44-2245367
The Fashion Shop
579 East Fifth Street
Palmas, Florida 32855

Type or print EMPLOYER'S name, address, ZIP code and Federal identifying number.

Copy C
For
employee's records

Employee's social security number	1 Federal income tax withheld	2 Wages, tips, and other compensation	3 FICA employee tax withheld	4 Total FICA wages
222-22-2222	$722.50	$6,681.25	$390.86	

Type or print Employee's name, address, and ZIP code below

5 Was employee covered by a qualified pension plan, etc.?	6	7

Alice S. Kirk
24 West Third Street
Apt. 21
Palmas, Florida 32856

Form W-2 — This information is being furnished to the Internal Revenue Service. — Department of the Treasury—Internal Revenue Service
U.S. GOVERNMENT PRINTING OFFICE 1976 218 025 E 136 2441915

Alice's Tax Form

20a	Total Federal income tax withheld (attach Forms W-2 to front)	20a	722 50
b	Excess FICA, RRTA, or FICA/RRTA tax withheld (two or more employers—see page 11 of Instructions)	20b	
c	1976 estimated tax payments (include amount allowed as credit from 1975 return)	20c	
d	Earned income credit (from page 2 of Instructions)	20d	
21	Total (add lines 20a through 20d)	21	
22	If line 19 is larger than line 21, enter BALANCE DUE IRS ▶	22	
23	If line 21 is larger than line 19, enter amount OVERPAID ▶	23	
24	Amount of line 23 to be REFUNDED TO YOU ▶	24	
25	Amount of line 23 to be credited on 1977 estimated tax ▶ 25		

Pay amount on line 22 in full with this return. Write social security number on check or money order and make payable to Internal Revenue Service.

Look at Robert's W-2 form and find the box labeled *Federal income tax withheld.* This is the amount that goes on line 20a.

FILL IN LINE 20a FOR ROBERT.

Robert's W-2 Form

Wage and Tax Statement 1976

41-6442440
WXYZ Broadcasting Company
2224 Melody Lane
Smallville, Florida 32691

Type or print EMPLOYER'S name, address, ZIP code and Federal identifying number.

Copy C
For
employee's records

Employer's social security number	1 Federal income tax withheld	2 Wages, tips, and other compensation	3 FICA employee tax withheld	4 Total FICA wages
111-11-1111	$585.30	$6,422.35	$375.71	

Type or print Employee's name, address, and ZIP code below

5 Was employee covered by a qualified pension plan, etc.?	6	7

Robert W. Price
662 Roberts Avenue
Smallville, Florida 32693

Form W-2 — This information is being furnished to the Internal Revenue Service. — Department of the Treasury—Internal Revenue Service

Line 20b asks for *excess* FICA, RRTA, or FICA/RRTA tax withheld. Do *not* enter on line 20b the amount shown on your W-2 for FICA tax withheld. This is not *excess* FICA. Line 20b is only for people who paid more Social Security tax than they should have, because they had more than one employer *and* earned more than a total of $15,300.

Line 20c is for people who did not have enough income tax withheld from their paychecks. Line 20d is for people who made less than $8,000, supported a child, *and* paid for more than half the cost of keeping their home.

Alice read lines 20b, 20c, and 20d. She found that none of them applied to her, and so she left them blank.

Line 21 says to total lines 20a, 20b, 20c, and 20d. Since Alice had left lines 20b, 20c, and 20d blank, her total was the same as line 20a ($722.50).

Line 22 asks whether line 19 is larger than line 21. That is, is the tax you owe (line 19) more than the tax you have already paid (line 21)? If line 19 is larger than line 21, you must put the difference on line 22. That is the amount of money you still owe the IRS. You would have to send a check or money order for that amount along with your tax form and W-2 form.

But Alice didn't have to do that. The amount she had entered on line 19 is *smaller* than the amount on line 21; so she didn't owe the government any money. She left line 22 blank.

Line 23 asks the opposite question from line 22. Is line 21 larger than line 19? That is, is the tax you have already paid (line 22) larger than the tax you owe (line 19)? If so, you have paid too much, and the government will send you some money back. This is called a *refund*.

Good news for Alice! That is exactly what happened. When she files her tax form, the government will send her a check for $59.92.

Because lines 22 and 23 ask opposite questions, you will never fill in both lines. If line 21 is larger than line 19, then you should leave line 22 blank. If line 19 is larger than line 21, then you should leave line 23 blank.

The amount of money Alice put on line 23 is the amount that the government owed her. The next two lines asked her what she wants to do with that money. She had the choice of asking for all or part of it to be refunded (line 24) or having all or part of it used toward next year's tax (line 25). Alice decided that she wanted all of it back; so she put the full amount on line 24 and left line 25 blank. The government mailed her a refund check for that amount.

Alice's Tax Form

19	Income tax. Subtract line 18b from line 18a and enter difference (but not less than zero)			19	662 58
20a	Total Federal income tax withheld (attach Forms W-2 to front)	20a	722 50		Pay amount on line 22 in full with this return. Write social security number on check or money order and make payable to Internal Revenue Service.
b	Excess FICA, RRTA, or FICA/RRTA tax withheld (two or more employers—see page 11 of Instructions)	20b			
c	1976 estimated tax payments (include amount allowed as credit from 1975 return)	20c			
d	Earned income credit (from page 2 of Instructions)	20d			
21	Total (add lines 20a through 20d)			21	722 50
22	If line 19 is larger than line 21, enter BALANCE DUE IRS ▶			22	
23	If line 21 is larger than line 19, enter amount OVERPAID ▶			23	59 92
24	Amount of line 23 to be REFUNDED TO YOU ▶			24	59 92
25	Amount of line 23 to be credited on 1977 estimated tax ▶	25			

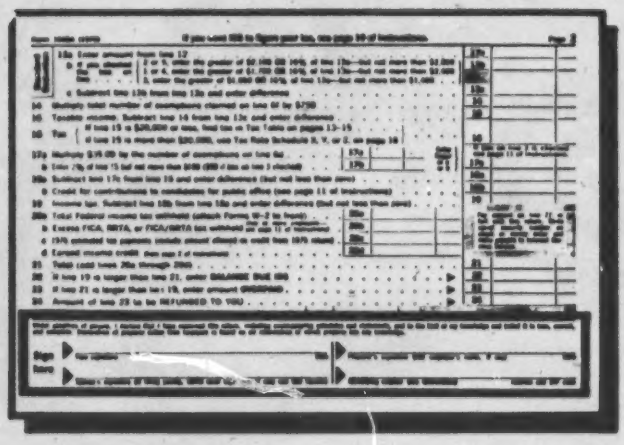
Lines 20b, 20c, and 20d do not apply to Robert; so he can leave them blank. But the government does not owe him any money. He owes the government! So some of the lines on his form that must be filled out are different from the ones Alice filled out.

FILL IN LINES 21, 22, 23, 24, AND 25 ON ROBERT'S TAX FORM. Be careful, because some of those lines must be left blank. When you have finished, turn the page and check your work.

Robert's Tax Form

19	Income tax. Subtract line 18b from line 18a and enter difference (but not less than zero)				19	605 03
20a	Total Federal income tax withheld (attach Forms W-2 to front)	20a	585	30	Pay amount on line 22 in full with this return. Write social security number on check or money order and make payable to Internal Revenue Service.	
b	Excess FICA, RRTA, or FICA/RRTA tax withheld (two or more employers—see page 11 of Instructions)	20b				
c	1976 estimated tax payments (include amount allowed as credit from 1975 return)	20c				
d	Earned income credit (from page 2 of Instructions)	20d				
21	Total (add lines 20a through 20d)				21	585 30
22	If line 19 is larger than line 21, enter BALANCE DUE IRS				22	19 75
23	If line 21 is larger than line 19, enter amount OVERPAID				23	
24	Amount of line 23 to be REFUNDED TO YOU				24	
25	Amount of line 23 to be credited on 1977 estimated tax ▶	25				

Go back and review the instruction for any lines on which you made a mistake. Make sure you understand what you did wrong, and then correct your answers.



Signature

The last section of the tax form asks the taxpayer to sign his/her name and put in the date. Alice signed her name and put the date on the first line. By signing her name, Alice gave her word that everything she wrote on the form was true. Had she not told the truth, Alice could have gotten into serious trouble with the federal government.

Alice's Tax Form

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign here	Alice S. Kirk April 14, 1977		
	Your signature — Date	Preparer's signature (and employer's name, if any) — Date	
	Spouse's signature (if filing jointly, BOTH must sign even if only one had income)	Identifying number (see instructions) — Address and ZIP code	

Alice saw that the next line asked for her spouse's signature. Since she has no spouse, she left that space blank.

The next line is for the preparer's signature and the name of the preparer's employer. Alice left this line blank because she prepared her own tax form. She also left the next line blank. It is for the preparer's identifying number and address, *not* hers.

Robert must sign and date his own tax form. You cannot sign another person's name to a tax return—that would be forgery. The government wants *his* promise, not yours. Leave the *Your signature* line blank. Also leave the *Spouse's signature* line blank.

Since you prepared Robert's tax form, you are the preparer. You should sign your name and put in the date on the *Preparer's signature* line. If you worked for a company that fills out people's tax forms for them, you would also write in your employer's name, address, and identifying number.

NOW FILL IN THE SIGNATURE SECTION OF ROBERT'S TAX FORM. Then turn the page and check your work.

Robert's Tax Form

Form 1040A (1976) — If you want IRS to figure your tax, see page 10 of Instructions. — Page 2

Standard Deduction	13a	Enter amount from line 12		13a	6,448 69
	b	If you checked the box on line . . . . { 2 or 5, enter the greater of $2,100 OR 16% of line 13a—but not more than $2,800 / 1 or 4, enter the greater of $1,700 OR 16% of line 13a—but not more than $2,400 / 3, enter the greater of $1,050 OR 16% of line 13a—but not more than $1,400		13b	1,700 00
	c	Subtract line 13b from line 13a and enter difference		13c	4,748 69
14		Multiply total number of exemptions claimed on line 6f by $750		14	750 00
15		Taxable income. Subtract line 14 from line 13c and enter difference		15	3,998 69
16	Tax	{ If line 15 is $20,000 or less, find tax in Tax Table on pages 13–15 / If line 15 is more than $20,000, use Tax Rate Schedule X, Y, or Z, on page 16 }		16	685 00
17a		Multiply $35.00 by the number of exemptions on line 6d	17a: 35 00	If box on line 3 is checked see page 11 of Instructions.	
b		Enter 2% of line 15 but not more than $180 ($90 if box on line 3 checked)	17b: 79 97	17c	79 97
18a		Subtract line 17c from line 16 and enter difference (but not less than zero)		18a	605 03
b		Credit for contributions to candidates for public office (see page 11 of Instructions)		18b	
19		Income tax. Subtract line 18b from line 18a and enter difference (but not less than zero)		19	605 03
20a		Total Federal income tax withheld (attach Forms W-2 to front)	20a: 585 30	Pay amount on line 22 in full with this return. Write social security number on check or money order and make payable to Internal Revenue Service.	
b		Excess FICA, RRTA, or FICA/RRTA tax withheld (two or more employers—see page 11 of Instructions)	20b		
c		1976 estimated tax payments (include amount allowed as credit from 1975 return)	20c		
d		Earned income credit (from page 2 of Instructions)	20d		
21		Total (add lines 20a through 20d)		21	585 30
22		If line 19 is larger than line 21, enter BALANCE DUE IRS ▶		22	19 73
23		If line 21 is larger than line 19, enter amount OVERPAID ▶		23	
24		Amount of line 23 to be REFUNDED TO YOU ▶		24	
25		Amount of line 23 to be credited on 1977 estimated tax ▶ 25			

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign here ▶ Your signature — Date | ▶ Student's signature today's date — Preparer's signature (and employer's name, if any) — Date

▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income) | ▶ Identifying number (see instructions) — Address and ZIP code

Go back and review the instruction for any lines on which you made a mistake. Make sure you understand what you did wrong, and then correct your answers.

If the amount you owe the IRS is under $1, you do not have to pay. If the amount the IRS owes you is under $1, they will not send you a refund unless you ask for it when you file your return.

Activity:

Tax Forms

For this activity, you'll fill out a short tax form for Alan Biddle. Alan is single, not the head of a household, and he has no dependents. He lives in Middletown, Florida, and works as a cook at the Dickens Restaurant. Alan claims one exemption, himself, and he wants to give $1 of his taxes to the presidential election campaign fund.

On the next page are Alan's Statement of Interest and his W-2 form. Use them to help you fill out his income tax form. Be sure to use today's date and the tax tables on page 48.

Ask your instructor to give you a blank income tax form to fill out for Alan. When you finish filling out the form, your instructor will check your work. Use the checklist on page 63 to make sure you have included everything.

Alan's Statement of Interest

Statement for Recipients of **1976**

Interest Income

Copy B For Recipient

Any amount shown in box 3, Amount of forfeiture, may be deducted from the recipient's gross income to arrive at adjusted gross income on Form 1040 for Federal tax purposes even if deductions are not itemized.

72-0654891
Middletown National Bank
222 Central Avenue
Middletown, Florida 32458

Type or print PAYER'S name, address, ZIP code, and Federal identifying number.

Recipient's identifying number	1 Earnings from savings and loan associations, credit unions, etc.	2 Other interest on bank deposits, etc. (Do not include amounts from box 1)	3 Amount of forfeiture
247-63-9771		$26.94	

Type or print RECIPIENT'S name, address, and ZIP code below.

Alan H. Biddle
4228 Buttonwood Way
Middletown, Florida 32459

4 Foreign tax paid (If eligible for foreign tax credit)	5 Foreign Country or U.S. Possession

If this form shows two or more recipients, the recipient whose Federal identifying number is shown should file a Form 1087–INT with the Internal Revenue Service for each of the other recipients and provide each with a copy. However, a husband or wife is not required to file a Form 1087–INT to show payments for the other.

This information is being furnished to the Internal Revenue Service.

Form **1099–INT** ☆GPO 1975 O 575 093 EI 3a2441915 Department of the Treasury—Internal Revenue Service

Alan's W-2 Form

Wage and Tax Statement **1976**

21-0717487
The Dickens Restaurant
362 Plaza Way
Middletown, Florida 32458

Type or print EMPLOYER'S name, address, ZIP code and Federal identifying number.

Copy C
For employee's records

Employee's social security number	1 Federal income tax withheld	2 Wages, tips, and other compensation	3 FICA employee tax withheld	4 Total FICA wages
247-63-9771	$646.42	$6,789.22	$285.21	

5 Was employee covered by a qualified pension plan, etc.?	6	7
yes		

Type or print Employee's name, address, and ZIP code below

Alan H. Biddle
4228 Buttonwood Way
Middletown, Florida 32459

Form **W–2** This information is being furnished to the Internal Revenue Service. Department of the Treasury - Internal Revenue Service

Compare your completed tax form for Alan with this checklist.

Income Tax Checklist

Front of Form

- ☐ Alan's name and address
- ☐ Alan's Social Security number
- ☐ Alan's occupation
- ☐ Correct filing status
- ☐ Correct exemptions checked and number placed on line 6f
- ☐ Line 9 has correct salary information from W-2 form
- ☐ Line 11 has correct interest information from interest statement
- ☐ Line 12 equals the total of lines 9, 10c, and 11

Back of Form

Information copied correctly:

- ☐ Correct total income copied on line 13a from line 12
- ☐ Correct federal income tax withheld copied on line 20a from W-2 form

Tax tables used correctly:

- ☐ Line 16 represents correct amount from tax tables

Arithmetic performed correctly:

- ☐ Line 13b equals 16% of line 13a, but not more than $2,400 or less than $1,700
- ☐ Line 13c equals line 13b subtracted from line 13a
- ☐ Line 14 equals $750 multiplied by the number on line 6f
- ☐ Line 15 equals line 14 subtracted from line 13c
- ☐ Line 17a equals $35 multiplied by the number on line 6d
- ☐ Line 17b equals 2% of line 15, but not more than $180
- ☐ Line 18a equals line 17c subtracted from line 16
- ☐ Line 19 equals line 18b subtracted from line 18a
- ☐ Line 21 equals the total of lines 20a, 20b, 20c, and 20d
- ☐ Line 22 equals line 21 subtracted from line 19

Signature section completed correctly:

- ☐ Form is signed on preparer's line
- ☐ Today's date

Performance Test

Name _____

Date _____

Do it! **Objective 4**

Get a blank income tax form 1040A from your instructor. Fill out the form for Louise Cate. Everything you need to know about Louise is on pages 64-65. The tax table is on page 48. Use today's date.

The performance checklist on page 65 will be used to rate your work. All items must be checked for you to pass this objective. When you have filled out the tax form, use the checklist to be sure your work is complete and correct. Then have your tax form checked by your instructor.

Louise is single, has no dependents, and claims only herself as an exemption. She has a job as a radio dispatcher for the Sand City Radio Cab Company. Louise wants $1 of her taxes to be used for the presidential election campaign fund.

Louise's W-2 Form

Wage and Tax Statement 1976

33-3869537
Sand City Radio Cab Company
444 Main Street
Sand City, Florida 33341

Type or print EMPLOYER'S name, address, ZIP code and Federal identifying number.

Copy C
For employee's records

Employee's social security number	1 Federal income tax withheld	2 Wages, tips, and other compensation	3 FICA employee tax withheld	4 Total FICA wages
286-31-2440	$468.22	$5,624.14	$147.16	

Type or print Employee's name, address, and ZIP code below	5 Was employee covered by a qualified pension plan, etc.?	6	7
Louise L. Cate 377 West Prescott Street Sand City, Florida 33341			

Form W-2 — This information is being furnished to the Internal Revenue Service. — Department of the Treasury—Internal Revenue Service
U.S. GOVERNMENT PRINTING OFFICE 1976 218-025 [136 2461915

Louise's Interest Statement

Statement for Recipients of **1976**

Interest Income
Copy B For Recipient

Any amount shown in box 3, Amount of forfeiture, may be deducted from the recipient's gross income to arrive at adjusted gross income on Form 1040 for Federal tax purposes even if deductions are not itemized.

22-8976145
Moneybags National Bank
33 East Wall Street
Sand City, Florida 33342

Type or print PAYER'S name, address, ZIP code, and Federal identifying number.

Recipient's identifying number	1 Earnings from savings and loan associations, credit unions, etc.	2 Other interest on bank deposits, etc. (Do not include amounts from box 1)	3 Amount of forfeiture
286-31-2440		$21.16	

Type or print RECIPIENT'S name, address, and ZIP code below.	4 Foreign tax paid (If eligible for foreign tax credit)	5 Foreign Country or U.S. Possession
Louise L. Cate 377 West Prescott Street Sand City, Florida 33341		

If this form shows two or more recipients, the recipient whose Federal identifying number is shown should file a Form 1087–INT with the Internal Revenue Service for each of the other recipients and provide each with a copy. However, a husband or wife is not required to file a Form 1087–INT to show payments for the other.

This information is being furnished to the Internal Revenue Service.

Form **1099–INT** * GPO: 1975 - O-573-093 Department of the Treasury—Internal Revenue Service

PERFORMANCE CHECKLIST

Front of Form

- ☐ Louise's name and address
- ☐ Louise's Social Security number
- ☐ Louise's occupation
- ☐ Correct filing status
- ☐ Correct exemptions checked and number placed on line 6f
- ☐ Line 9 has correct salary information from W-2 form
- ☐ Line 11 has correct interest information from interest statement
- ☐ Line 12 equals the total of lines 9, 10c, and 11

Back of Form

Information copied correctly:

- ☐ Correct total income copied on line 13a from line 12
- ☐ Correct federal income tax withheld copied on line 20a from W-2 form

Tax tables used correctly:

- ☐ Line 16 represents correct amount from tax tables

65

Arithmetic performed correctly:

- ☐ Line 13b equals 16% of line 13a, but not more than $2,400 or less than $1,700
- ☐ Line 13c equals line 13b subtracted from line 13a
- ☐ Line 14 equals $750 multiplied by the number on line 6f
- ☐ Line 15 equals line 14 subtracted from line 13c
- ☐ Line 17a equals $35 multiplied by the number on line 6d
- ☐ Line 17b equals 2% of line 15, but not more than $180
- ☐ Line 18a equals line 17c subtracted from line 16
- ☐ Line 19 equals line 18b subtracted from line 18a
- ☐ Line 21 equals the total of lines 20a, 20b, 20c, and 20d
- ☐ Line 22 equals line 21 subtracted from line 19

Signature section completed correctly:

- ☐ Form is signed on preparer's line
- ☐ Today's date

A Review

Let's review what you have learned in this unit so far. First, you found out that your paycheck may be much smaller than you'd expected because of *deductions*. Some of these deductions are required by law, such as deductions for federal income tax and Social Security. Your employer sends this money to the federal government to be used for services which help the public.

The rest of the deductions are for *fringe benefits*, such as health insurance and retirement. Of course, not all fringe benefits are listed as deductions from your paycheck. For example, a paid vacation or a Christmas bonus will not be subtracted from your paycheck. These types of fringe benefits are given to you at no cost.

Next you learned how to fill out an income tax form. Your employer subtracts withholding tax from every paycheck and mails this money to the government to pay your income taxes. You must also report any other income, such as tips or interest on a savings account, to the IRS. Your total income from all sources determines how much income tax you must pay.

At the end of each year in which you earn money you must file an income tax return. Your W-2 forms and interest statements help you complete the tax form. After you complete the tax form you can tell whether you owe the government any tax money or whether the government owes money to you.

Learning Smart Shopping Rules

Whether you earn a salary, or have only your allowance or Christmas money to spend, you'll find that your money will go further if you use good buying practices. If you shop carefully, you'll get more for your money.

Sarah's old watch broke and she decided to buy a new one instead of getting the old one fixed. She went to the jewelry store near her office and bought a watch that she liked for $38. She was very pleased with her new watch until she saw the same watch in another store for $25!

There is no law to stop one store from selling something for more than another store. Each store decides what to charge for the things it sells. Therefore, it is up to you to compare prices before buying. Here are some guidelines for smart shopping.

Smart Shopping Rules

Think ahead. Think about what you will buy before you go shopping. Look at your budget and decide what to buy and how much you can afford to pay for it. Make a shopping list and take it with you. Check off each item on the list as you buy it. Don't forget to think about upkeep. For example, if you have a choice between a shirt that needs to be dry-cleaned and a shirt that costs a little more but can be washed, it is a good idea to buy the washable shirt. In the long run it will cost you less, because dry cleaning is expensive.

Buy only what you need and will use. Don't get carried away when you go shopping. Just because something is on sale or looks pretty at the moment doesn't mean that you should buy it. Buy only what you really need and will use. Don't waste your money or you may not have enough to buy the things you really need.

Compare prices. Shop around. Remember Sarah's watch! Before you make a purchase, find out what other stores charge for the same item. Every store has both high- and low-priced items. Just because a store has the lowest price on watches does not mean it will also have the best price on rings.

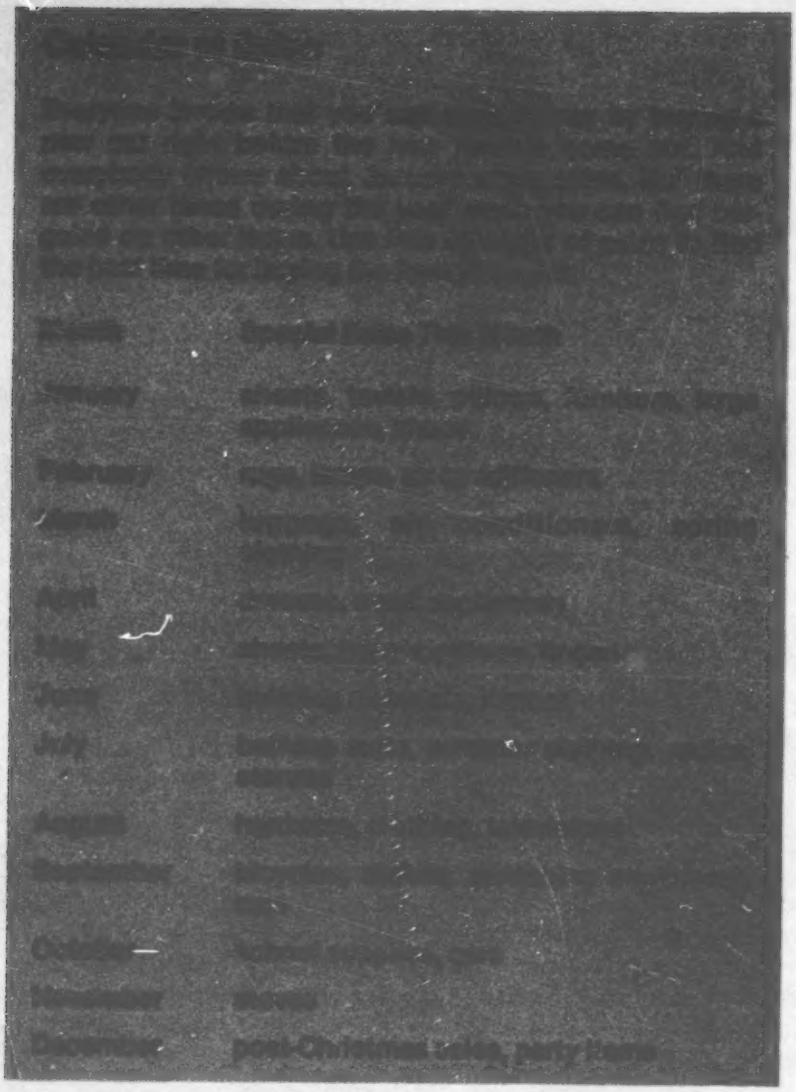
Compare quality. Don't be fooled by cheap imitations. If one store is selling an item for much less than another store, look closely before you buy. Are the items really the same, or is one better than the other in some ways? Sometimes an item costs more because it is of higher quality and will last longer. It is better to buy an expensive pair of shoes that will last than to buy a cheap pair that will fall apart after they've been worn a few times.

Compare quantity. Don't be fooled by big boxes. Sometimes goods are boxed so that they look as if they have more in them than they really do. This is common in grocery stores. For example, just because one box of cookies is larger than another doesn't mean that it has more cookies in it. You can tell which one weighs more—that is, which one is the better buy—by reading the weight shown on the outside of the box.

Wait for sales. If you plan your spending carefully, you can sometimes wait for an item that you need or want to go on sale. Make sure that the item is really marked down in price. Some stores put up signs that say "sale," but the prices are just as high as usual. Also, remember not to buy an item *just* because it is on sale. Buy it only if you really need it.

Look for guarantees. A guarantee is a statement on paper promising that the maker of an item or the store that sells it will give you your money back, or will replace the item, if it doesn't work. Try to buy guaranteed items whenever you can. Remember, though, that a guarantee is only good if you have it in writing.

Beware of credit buying. With credit you can get what you want now and pay for it later, usually paying only a little at a time. But you should avoid buying on credit for two reasons. First, high interest (borrowing) charges are almost always added to the costs. Second, it's easier to overspend when you use credit. If you buy too much and can't pay the money you owe when the bills come in, you'll lose your good credit rating. You'll learn more about credit in the next section.



Activity:

Shopping Habits

1

Here are the smart shopping rules you should follow:

- Think ahead.
- Buy only what you need and will use.
- Compare prices.
- Compare quality.
- Compare quantity.
- Wait for sales.
- Look for guarantees.
- Beware of credit buying.

After each example, write in the smart shopping rule that the shopper has *not* followed.

a. Juan went to the grocery store to buy breakfast cereal. The two cereals that he liked most were the same price, so he bought the one in the largest box. He did not look to see how much each one weighed.

b. While Doug was doing his Christmas shopping he decided to stock up on Christmas cards for next year. A few weeks later, on the day after Christmas, all of the Christmas cards in town were on sale for half price.

c. Kathy went to the department store to buy a dress to wear to work. On her way to the dress department she saw a beautiful evening gown. She knew she didn't have anywhere to wear it and she didn't need it, but it was so beautiful she bought it anyway.

d. Carla was looking at small stereo sets in Super Sound Shop. She planned to save her money until she had enough to buy her own set, but the salesclerk talked her into buying one now on credit. Carla is unhappy now because she's paying a lot of extra credit charges.

e. Lou was proud of his new boat and was eager to show it off to his friend Chuck. But when Chuck told him that he could have bought the same boat somewhere else for a lot less money, Lou wasn't so happy anymore.

f. While Jerry was shopping for a toaster, the salesclerk recommended Brand X. It cost a dollar more than Brand Y but it came with a written guarantee. Jerry didn't want to spend the extra dollar, so he bought the toaster without the guarantee. Two weeks later, his toaster broke.

g. Beth was about to buy a new blouse when her friend Kelly told her where she could buy a similar blouse for less money. Beth went right out and bought the cheaper blouse. When she got home, she found that it was not really the same blouse at all. It was poorly made and would not last very long.

2

Place a check (✓) in front of the situations that show good buying practices.

- ☐ a. James plans what he will buy before he goes shopping.
- ☐ b. Betty buys everything at one store.
- ☐ c. Gerry buys on credit whenever he can.
- ☐ d. Rosa tries to buy items that have a guarantee.
- ☐ e. Lester always buys the biggest box of detergent, but never looks to see how much the boxes weigh.

Turn the page to check your answers.

Check your answers here.

1. The shoppers broke the following rules:

   a. Compare quantity.
   b. Wait for sales.
   c. Buy only what you need and will use.
   d. Beware of credit buying.
   e. Compare prices.
   f. Look for guarantees.
   g. Compare quality.

2. ☑ a. James plans what he will buy before he goes shopping.
   ☐ b. Betty buys everything at one store.
   ☐ c. Gerry buys on credit whenever he can.
   ☑ d. Rosa tries to buy items that have a guarantee.
   ☐ e. Lester always buys the biggest box of detergent, but never looks to see how much the boxes weigh.

Name _____

Date _____

Self-Test

Objective 5

List five smart shopping rules.

1 _____

2 _____

3 _____

4 _____

5 _____

Check your answers on the next page.

Answers to Objective 5

- Think ahead.
- Buy only what you need and will use.
- Compare prices.
- Compare quality.
- Compare quantity.
- Wait for sales.
- Look for guarantees.
- Beware of credit buying.

If you could not list at least four of the above rules, review pages 68-74.

Buying on Credit

You do not always need cash to buy the things you want. Sometimes you can buy on credit. With credit you can get what you want now and pay for it later, usually a little at a time. That makes it very easy to buy things—sometimes too easy. When you buy on credit, it is often hard to keep track of everything you have charged (bought on credit). You buy a little something here and a little something there, and before you know it, you owe more money than you can pay back. The things you buy on credit end up costing you more because you don't pay just the price of the item you buy. You must also pay an interest charge. Look at what happened to Sidney.

Sidney James used to be a smart shopper. He never borrowed money and he always paid his bills on time. The trouble started when Sidney got a few credit cards. Then when he saw something that he wanted to buy, he didn't need any money in his pocket. All he had to say was, "Charge it, please." Sidney never bought anything big, but he did buy a lot of odds and ends. Within a few months, Sidney was deep in debt. He didn't have enough money to pay his bills.

Sidney, like many other people, learned the hard way about the dangers of credit. Credit buying is very popular in our society. Although many shoppers use credit, a lot of them get into trouble because, like Sidney, they don't know how to use it wisely.

Let's look at some of the dangers of credit buying.

- **It costs more to buy on credit.** When you buy on credit, the store charges you interest on what you owe. Interest can cost as much as 18 percent a year. So when you buy an item on credit, you pay more for it than you would if you had saved your money and paid cash. For example, suppose you are going to buy a $250 TV. If you save and pay cash, the TV will cost you $250. If you buy it on credit and pay for it over a two-year period at an 18 percent interest rate, the TV will cost $300! You will be paying an extra $50 for buying on credit.

• **Credit discourages shopping around.** People who have credit at one or two stores usually do most of their shopping there even though they might be able to buy things more cheaply in other stores. Credit makes buying so easy that many people don't bother to look around for better buys.

• **Credit makes it easy to spend too much.** Remember Sidney and his bills! Instead of counting their money to see if they have enough to make a purchase, many people just say, "Charge it, please." They don't realize how much they have charged until they get the bill at the end of the month.

• **You will get into trouble if you don't pay your bills on time.** If you can't make your credit payments when you are supposed to, you may have problems, such as paying late charges, losing the item you've bought, losing the money you've already paid, or losing your good credit rating (your reputation for paying your bills on time). Once you have lost your good credit rating, you will find it very hard to get credit again.

If buying on credit is so bad, then why does everyone do it? Well, credit can be helpful at times, especially in emergencies. With credit you don't have to carry around a lot of cash. You can pay for large purchases a little at a time and build up a good credit rating. Just remember to use credit carefully, because there are real dangers in using it.

The Dangers of Credit Buying

1. It costs more to buy on credit.
2. Credit discourages shopping around.
3. Credit makes it easy to spend too much.
4. You will get into trouble if you don't pay your bills on time.

Activity:

The Dangers of Credit

The following items describe shoppers who forgot one of the four dangers of credit. In the blank after each item, write in the danger that was overlooked.

1 Reginald has a charge account at Duffy's Department Store. Now he does all of his shopping at Duffy's.

_____

2 Ron enjoys his new credit card. He doesn't have to carry cash, yet he can always buy things. Ron is shocked when his credit bills arrive at the end of the month and he finds he has spent over $100.

_____

3 Peggy used her credit account to shop the summer sales and charged so much that she couldn't keep up with the monthly payments. The store wrote her several letters about being late with her payments. She finally managed to pay off what she owed, but by then her good credit rating had been spoiled.

_____

4 Phyllis wanted to buy a bike for $130. Instead of saving her money until she had enough, Phyllis bought it on credit. She ended up paying more than $140 for the bike.

_____

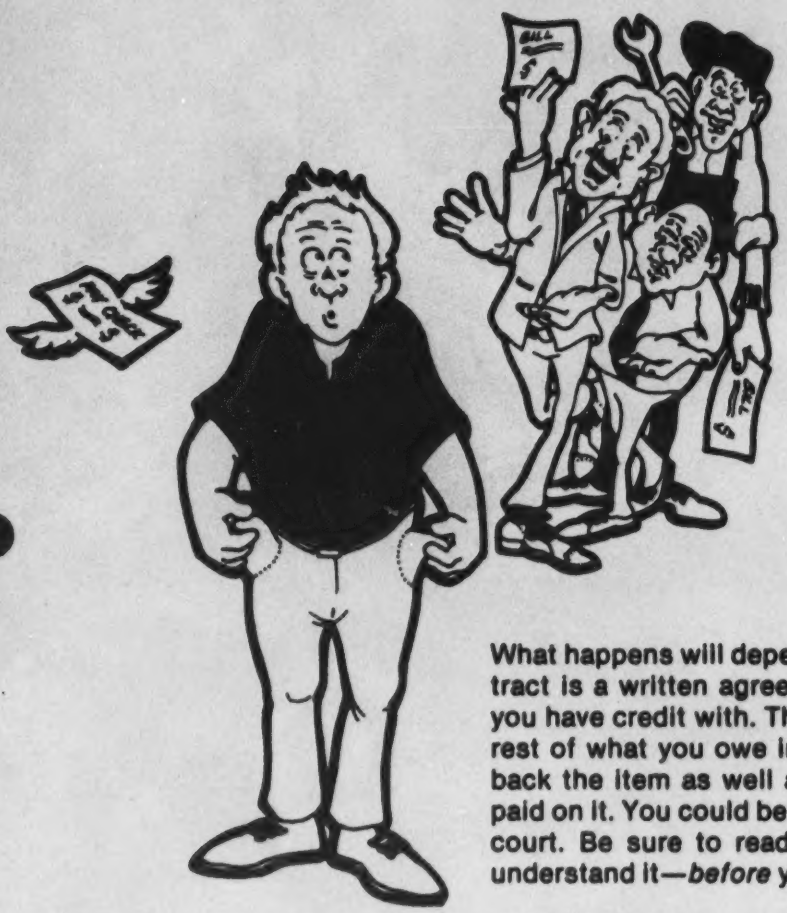
Turn the page and check your answers.

Your answers should be:

1. Credit discourages shopping around.
2. Credit makes it easy to spend too much.
3. You will get into trouble if you don't pay your bills on time.
4. It costs more to buy on credit.

Paying Your Bills on Time

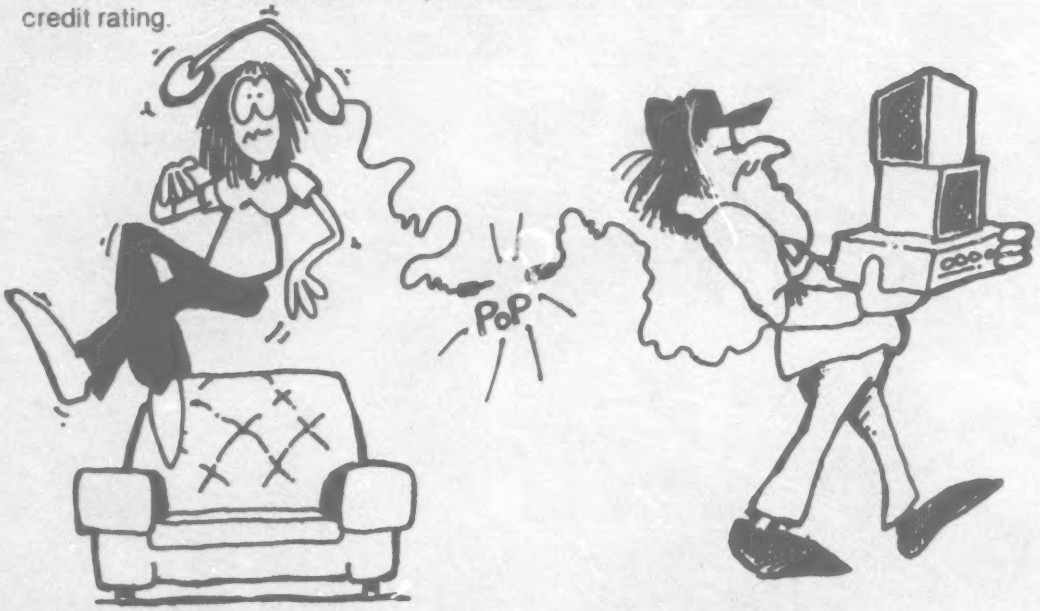
When you rent a house or use electricity, you receive a monthly bill. When you buy something on credit, you also promise to make monthly payments. Suppose that you do not make your credit payments. What happens then?



What happens will depend on what your contract says. A contract is a written agreement between you and the company you have credit with. The contract can require you to pay the rest of what you owe immediately. Or you may have to give back the item as well as some of the money that you have paid on it. You could be charged a late fee, or even be taken to court. Be sure to read your credit contract carefully—and understand it—*before* you sign it.

You may lose more than the item and the money you have paid on it. You may also lose your good credit rating. Without good credit it will be hard to get credit in the future. This is because when you apply for credit at one store, they check up on you by calling other stores to see if your credit is good. The store wants to know if you are a good risk—that is, if you pay your bills on time. People who are bad credit risks can't get credit. Look at what happened to Robin.

Robin bought a stereo on credit. Before long, she got behind in her payments and could not pay her bills on time. At first the store told Robin that she would have to pay a late fee of $15, but she couldn't pay that either. Then the store took back the stereo and gave her a bad credit rating. Later, when she went to another store, she was not allowed to buy on credit because of her bad credit rating.



Remember: if you do not make your credit payments you may—

- **lose the item that you purchased**
- **lose some or all of the money you paid in**
- **get a bad credit rating**
- **have to pay a late charge**
- **be taken to court.**

Activity:

Failure to Pay

Alex has missed two car payments. What may happen to him? Put a check (✓) in front of the things that are likely to happen.

- ☐ 1. The bank may take his car back.
- ☐ 2. Alex may have to pay a late charge.
- ☐ 3. The bank may give Alex a good credit rating to get rid of him.
- ☐ 4. The bank will feel sorry for Alex and give him another chance.
- ☐ 5. The bank may keep some of the money that Alex has already paid.

Check your answers on the next page.

Check your answers.

- ☑ 1. The bank may take his car back.
- ☑ 2. Alex may have to pay a late charge.
- ☐ 3. The bank may give Alex a good credit rating to get rid of him.
- ☐ 4. The bank will feel sorry for Alex and give him another chance.
- ☑ 5. The bank may keep some of the money that Alex has already paid.

Name _____

Date _____

Self-Test

Objective 6

List four dangers of buying on credit.

1 _____

2 _____

3 _____

4 _____

Objective 7

List three things that could happen if you do not make your credit payments on time.

1 _____

2 _____

3 _____

Turn the page and check your answers.

Answers to Objective 6

- It costs more to buy on credit.
- Credit discourages shopping around.
- Credit makes it easy to spend too much.
- You will get into trouble if you don't pay your bills on time.

If you did not list at least three of the above dangers of credit, review pages 77-80.

Answers to Objective 7

- You may lose the item that you purchased.
- You may lose some or all of the money that you paid in.
- You may get a bad credit rating.
- You may have to pay a late charge.
- You may be taken to court.

If you couldn't list at least two, review pages 81-84.

Keeping a Budget

One way to avoid using credit is to plan your spending carefully. When you receive your paycheck you may find that as much as one-fourth of your salary has been withheld in deductions. How will you spend what's left? Will you save some of it? How much? Your budget answers these questions.

A budget is a plan for spending money. Keeping a record of your expenses helps you get the most out of your paycheck. Your budget will help you decide whether you can afford to buy something. This story about Jerry's money problems shows the need for a budget.

Jerry works on the docks and earns $300 every two weeks. His deductions total $53, so he takes home $247. But he never seems to have any money. Jerry pays his bills when they come in, and when he has money he buys what he likes. His money never lasts long, though. The day before payday, Jerry usually has to borrow money to buy gas or groceries. If his car breaks down he doesn't have enough money to have it repaired. Jerry needs to plan his spending wisely so he doesn't run out of money.

If Jerry had a budget and stayed with it, he would have enough money to cover his regular bills and the unexpected ones.

A budget will do five things for you.

- **A budget will tell you where your money is going.** Have you ever run out of money and wondered what happened to all of it? Your budget will show you exactly where and how you spend your money. You may want to change your spending habits when you see the kinds of things you spend your money on.

- **A budget will help you plan how to live on your pay.** A budget shows you what your regular bills are (such as food, rent, and car payments) and lets you know how much money you have left over after you pay them. In this way, a budget tells you what you can afford to buy. It will also tell you when you can afford a large purchase and when you must wait.

- **A budget will give you records to use in filling out your tax forms.** As you advance in your job, your finances will become more complicated. In time, they may be *so* complicated that

you will need written records in order to file your yearly income tax return. Also, the federal government may question whether your tax form is correct and may want to see written records of many of your expenses. This is called an *audit*. Since the government may audit your tax return years after you have filed it, it's a good idea to keep your budget records in a safe place for at least six years. Don't throw them away!

• **A budget will help you save money for unexpected expenses.** By deciding ahead of time how you will spend your money, you can plan to put some aside for emergencies and special opportunities. You must save to be prepared for an unexpected doctor bill or to take advantage of a special sale on clothes or records.

• **A budget will help you plan for large purchases without borrowing.** If you want to make a large purchase, such as a TV, or a down payment on a car, you will probably need more money than you earn each week. That means that either you must save your money or borrow some. If you borrow money, you must pay a borrowing cost, called *interest*. Paying interest means that the item you buy will cost you more. But if you use your own money, there is no interest. Your budget will help you save money toward the purchase of expensive items. A budget will also help you set aside money for long-range goals such as getting more education or buying a home.

Activity:

Your Budget

The people in these stories are having money problems. In what way would a budget help each person? Choose a reason from the list at the left and write it in the blank provided.

- To tell you where your money is going
- To help you plan how to live on your pay
- To give you records to use in filling out your tax forms
- To help you save money for unexpected expenses
- To help you plan for large purchases without borrowing

1 Roberto just sat down to complete his federal income tax form. After looking over his W-2 form and the statement of interest from his savings account, he finds that he still doesn't have enough information to complete his tax return.

_____

2 When Louise turned on her TV last night there was no sound, only a picture. She took her set to the shop and was told that it would cost $25 to fix it. Louise doesn't have any money saved, so she'll have to wait until next payday to get her TV back.

_____

3 Richard bought a hamburger, milk shake, and french fries at the cafeteria. When he opened his wallet to pay the bill, he saw that he had $7. But he had $35 the week before. Where had the money gone? What had he bought? Richard was very upset. He knew that he had spent the money, but he couldn't remember where or how.

_____

4 Linda drives a taxi cab. Instead of getting a paycheck every two weeks, she gets some money every day. She always has a little money in her purse, but never enough to make a large purchase. She does not have enough for a watch, so she must borrow money to buy one. That means that Linda has to pay some interest along with the money she borrows.

_____

5 After graduating from high school, Jason took a job as a motorcycle mechanic. He moved into an apartment and began to live on his own. He bought an old car, a TV, and a stereo. But when his electric bill came, he didn't have the money to pay it. When his refrigerator was empty, he couldn't afford to buy groceries.

_____

Check your answers on the next page.

Check your answers with those below.

1. To give you records to use in filling out your tax forms
2. To help you save money for unexpected expenses
3. To tell you where your money is going
4. To help you plan for large purchases without borrowing
5. To help you plan how to live on your pay

Name _____

Date _____

Self-Test

Objective 8

List three reasons for keeping a budget.

1 _____

2 _____

3 _____

Check your answers on the next page.

Answers to Objective 8

- To tell you where your money is going
- To help you plan how to live on your pay
- To give you records to use in filling out your tax forms
- To help you save money for unexpected expenses
- To help you plan for large purchases without borrowing

If you could not list at least two reasons for keeping a budget, review pages 87-90.

Developing a Budget

You have just learned a number of good reasons for keeping a budget. Now you will learn how to use a budget to control your spending.

A budget is a written plan you use to keep track of your money. It lets you decide exactly how to spend your money. A budget tells you:

- how *much* money comes in and how *much* money goes out
- *where* the money comes from and *where* it all goes.

There are three basic steps in developing a budget. First, find out how you are spending your money right now. Make a list of how much money you get and where all of it is spent. Second, look at your list and decide what you want to change. Decide where you want to spend less money, and where you want to put more. Third, make a budget that will lead you to the goals you want to reach. Would you like to save more? Is there an expensive item you want or need to buy? Plan how you will spend your money so that you get the most value from it. The steps are simple.

1. Find out where you spend your money now.
2. Decide where you want to spend your money in the future.
3. Plan a budget that will give you the most for your money.

Once you decide to make a budget, you need to decide how much time it will cover. Do you want a weekly budget or a monthly budget? Most companies and stores send out their bills once a month. Therefore, most people find a monthly budget most useful. Be sure to fit everything into your monthly budget. If you are paid $100 each week, your monthly pay is about 4 weeks x $100, or $400. If you are paid $150 every two weeks, then you are paid about 2 x $150, or $300, per month.

If you are paid each week, you may want to use a weekly budget. In this case you will have to divide your monthly bills by four to know how much you'll need to put aside each week. If you have large expenses that come once a year, such as insurance, you may want to divide the total by 12 and put that amount in savings each month. Then you'll have the money in savings when you need it.

Norman Shelton has a problem. His friend Roger is driving a van out West in August. Norman wants to go with him, but he can't afford it unless he can somehow manage to save another $50. But how will he get the money? He never has any money left by the time payday comes around. So Norman decides to make a budget with the goal of saving $50 during the next two months. He follows the three basic steps in developing a budget.

1. Norman finds out where he is spending his money now.
Norman's first task is to write down his current money habits by keeping a record of how much money he spends and where he spends it. The best way to keep a record like this is to use a budget worksheet. The worksheet lists a dozen or so broad headings that usual expenses come under.

Look at the budget worksheet on the next page. Notice that Norman has written down the source of his income and what each of his expenses is in the column marked "Item." The amount of each item is written in the "Present Spending" column.

Norma's Budget Worksheet ☑ monthly ☐ weekly

Income	Type of Item	Item	Present Income	Change in Income	Future Income
	Pay	part-time job	$160.00		
	Allowance				
	Other				
		Total Income:	$160.00		

Expenses	Item	Present Spending	Change in Spending	Future Spending
Food	lunch and snacks	$24.00		
Housing				
Transportation	car payment and gas	44.00		
Insurance	car insurance	28.00		
Medical & Dental				
Clothing				
Savings	Christmas Club	20.00		
Recreation	records, movies	36.00		
Personal				
Other	dog food	8.00		

Total Income = Total Expenses	Total Expenses:
$160.00 = $160.00	$160.00

Norman has put his expenses under the general headings listed on the budget worksheet. Here are some examples of the expenses that can be listed under these headings.

Food (groceries, snacks, eating out)

Housing (rent, mortgage, furniture, phone bill, electric bill, plumbing bill, repairs, garden supplies, property taxes, lawn mowing)

Transportation (bus fare, car payments, tune-ups, gas, bicycle)

Insurance (auto, home, life, health)

Medical and Dental (hospital, doctor, dentist, medicine, eyeglasses)

Clothing (sportswear, uniforms, safety gloves or hats, shoes, laundry, dry cleaning)

Savings (Christmas Club, payroll savings plan, savings account, emergency fund, credit union, vacation club)

Recreation (entertainment, books, sports equipment, records, bowling, stamp collection)

Personal (haircuts, makeup, jewelry, wristwatch)

Other (tuition, pets, gifts, postage stamps, Christmas cards)

Now that Norman sees where all his money is going, he must decide where he wants his money to go from now on.

2. Norman decides where he wants to spend his money in the future.

In order to save $50 in the next two months, Norman will have to save $25 a month. That is his goal. To save that extra money, he'll have to either get more income or cut down on his expenses. Since Norman is already very busy going to school and working part-time, he decides to cut his expenses. He will have to spend less money on some items. The question is, which ones?

There are two types of expenses in every budget: necessities and luxuries. Necessities are those things that you feel you must have. Necessities include things like food, medicine, a place to live, transportation to and from work, and taxes. Luxuries, on the other hand, are things that you want, but feel you can live without. Although food is a necessity, some kinds of food (like snacks, filet mignon, and imported cheese) would be considered luxuries by many people. On the same note, a fancy sports car will get you to work, but an economy

car will get you there cheaper. One person may think of air conditioning as a necessity, whereas another person may consider it a real luxury. Each person must decide which things s(he) can do without.

Norman must cut back on his luxuries because his necessities are too important to cut back on. He decides that the trip out West is worth fewer movies, snacks, and records for two months. The money he saves on luxuries will go into savings for his trip.

3. Norman plans a budget that will give him the most for his money.

Norman went back to his budget worksheet to decide where the $25 would come from. His $24 for lunch and snacks includes $4 for snacks. Norman doesn't need snacks, so he decides to give them up. That gives him an extra $4. Norman also thinks that he spends too much on movies and records. From now on he will spend only $15 on them each month. This gives him another $21 for savings ($36 - $15 = $21). The $4 from snacks and $21 from movies and records gives Norman the $25 he wants to save for his trip. His new budget is shown on the worksheet on the next page.

Norma's Budget Worksheet ☑ monthly ☐ weekly

Income	Type of Item	Item	Present Income	Change in Income	Future Income
	Pay	part-time job	$160.00	-0-	$160.00
	Allowance				
	Other				
		Total Income:	$160.00		$160.00

Expenses	Type of Item	Item	Present Spending	Change in Spending	Future Spending
	Food	lunch and snacks (without snacks)	$24.00	$-4.00	$20.00
	Housing				
	Transportation	car payment and gas	44.00	-0-	44.00
	Insurance	car insurance	28.00	-0-	28.00
	Medical & Dental				
	Clothing				
	Savings	Christmas Club (savings for trip)	20.00	+25.00	45.00
	Recreation	records, movies	36.00	-21.00	15.00
	Personal				
	Other	dog food	8.00	-0-	8.00

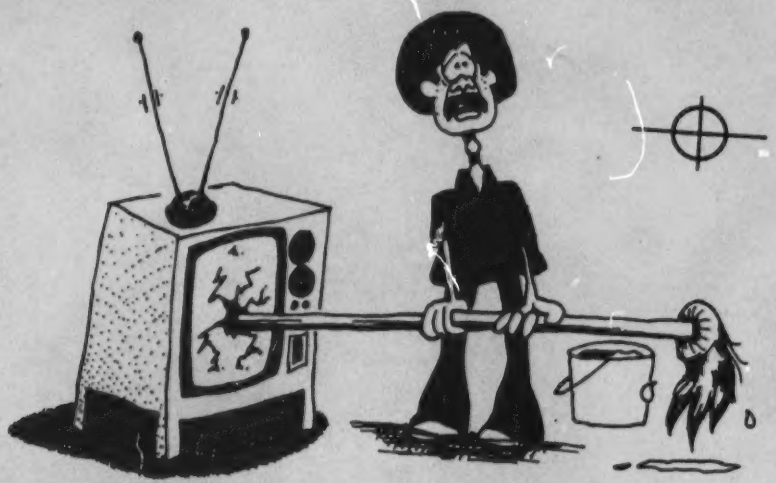
Total Income = Total Expenses
$160.00 = $160.00

Total Expenses:
$160.00 $160.00

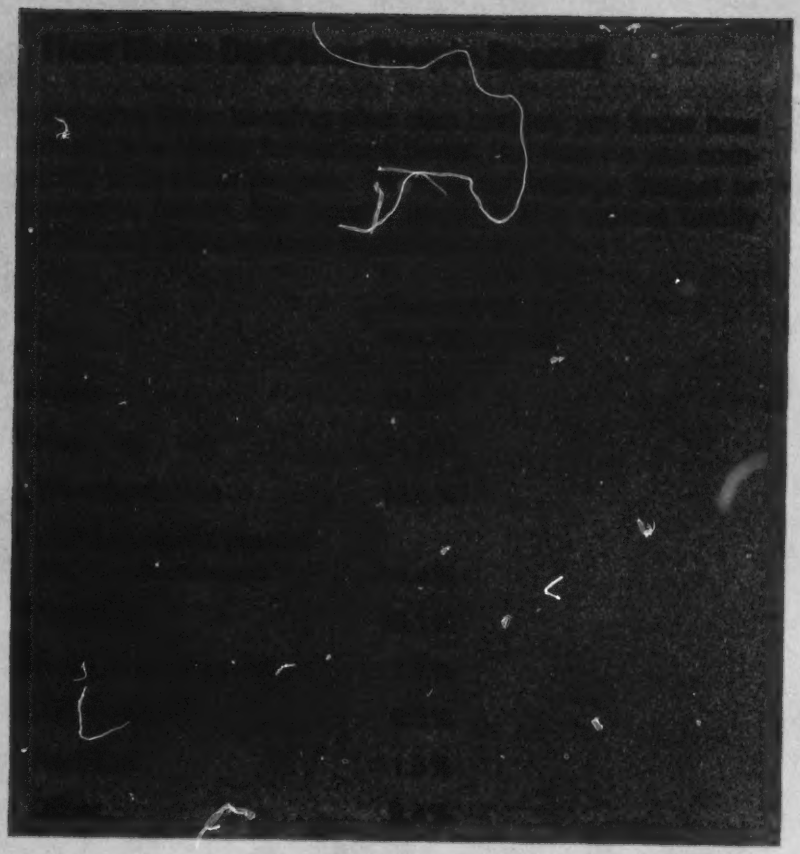
Norman now has a budget that lets him meet his goal of saving $50. No two budgets will look alike, however. Each person must decide where s(he) wants to spend money. Only you can determine your financial goals. You cannot have everything you want, so you must decide what you can afford and what things you can do without.

Base your budget on your take-home pay or regular allowance. You may receive money for Christmas or your birthday, but you can't count on it every pay period.

Just as you get extra money every once in a while, you also have extra expenses at times. You must allow for these extra expenses by having some money in savings. That way you will have the money to buy your auto license or a new jacket.



You can't spend more than you have; so be sure that your total expenses are not larger than your total income. If they are, you must increase your income or decrease your expenses. This is called *balancing your budget.* The last line of the budget worksheet allows you to see if your budget balances by making sure that your total income equals total expenses.



Activity:

Budget

1 Try to match the budget items on the right with the budget headings they go under. Write the correct letters in the blanks. Make sure that you use each letter.

Budget Headings	Budget Items
___ Housing	a. football tickets
___ Recreation	b. driver license
___ Transportation	c. lawn fertilizer
	d. movies
	e. property taxes
	f. club dues
	g. motor oil
	h. furniture

2 Rhoda's goal is to save an extra $20 a month. Complete the budget worksheet on the next page for her. You must:

- Decide where cuts can be made.
- Show the cuts in the change column. (Try to spread the cuts over several luxury items instead of taking everything from one or two items.)
- Add the $20 to savings.
- Balance Rhoda's new budget.

Check your answers on page 104.

Rhoda's Budget Worksheet ☑ monthly ☐ weekly

Income	Type of Item	Item	Present Income	Change in Income	Future Income
	Pay	job	$420.00		
	Allowance				
	Other				
		Total Income:	$420.00		

Expenses		Present Spending	Change in Spending	Future Spending
Food	groceries and restaurants	$ 60.00		
Housing	rent, utilities, and phone	120.00		
Transportation	car payment, gas, and tune-ups	50.00		
Insurance	car, life, and health insurance	30.00		
Medical & Dental	prescriptions	5.00		
Clothing	clothes, shoes, dry cleaning	30.00		
Savings	regular savings	40.00		
Recreation	movies, scuba gear and lessons, auto shows	40.00		
Personal	visits to hairdresser, dance class, makeup	25.00		
Other	magazines and newspaper, gifts	20.00		

Total Income = Total Expenses	Total Expenses:
$420.00 =	$420.00

Check your answers.

1. c,e,h — Housing
   a,d,f — Recreation
   b,g — Transportation

2. Ask your instructor to show you *one* way that Rhoda could have made a new budget to save $20 a month. Your budget may look different, as long as:

   - ✔ You made your cuts in at least two types of items.
   - ✔ The total amount changed was $20.
   - ✔ Rhoda's monthly savings increased $20.
   - ✔ Rhoda's new budget balances at $420 a month (both income and expenses).

Everyone you've read about in this booklet increases his/her savings by spending less money somewhere else. But you can also increase your savings by increasing your income, perhaps with a part-time job.

Name _____

Date _____

Performance Test

Objective 9

Chester wants a guitar. He hopes to save $30 a month so he can buy one. Complete Chester's worksheet for him. You must:

- ✔ Decide where cuts can be made.
- ✔ Show the cuts in the change column.
- ✔ Add the $30 to savings.
- ✔ Balance Chester's new budget.

After you have completed the budget worksheet, use the performance checklist below to be sure your work is complete and correct. Then show your worksheet to your instructor. S(he) will check your work using the checklist. All items must be checked for you to pass this objective.

PERFORMANCE CHECKLIST

- ☐ Budget cuts were made from at least two types of items
- ☐ The total amount changed is $30
- ☐ Savings increased $30
- ☐ Chester's budget balances at $415 per month (both income and expenses)

Chester's Budget Worksheet ☑ monthly ☐ weekly

Income	Type of Item	Item	Present Income	Change in Income	Future Income
	Pay	job	$415.00		
	Allowance				
	Other				
		Total Income:	$415.00		

Expenses		Present Spending	Change in Spending	Future Spending
Food	groceries, meals out	$65.00		
Housing	mortgage, utilities	110.00		
Transportation	car payment, gas	60.00		
Insurance	car, life, health, and homeowners insurance	25.00		
Medical & Dental	put money aside for future dental bills	15.00		
Clothing	laundry, dry cleaning	20.00		
Savings				
Recreation	dates, card games, motor boat rental	45.00		
Personal	gym	35.00		
Other	credit card bill, newspapers, gifts	40.00		

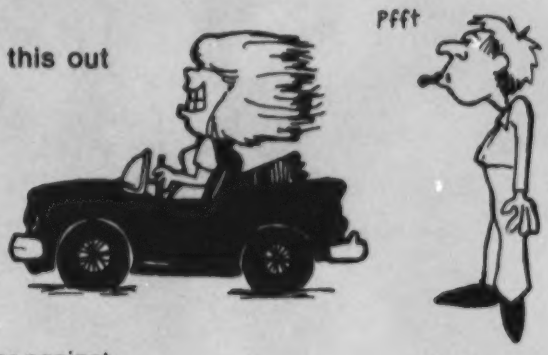
Total Income = Total Expenses	Total Expenses:
$415.00 =	$415.00

106

Finding Out about Insurance

In the last section you worked with personal budgets in which money was set aside for some kinds of insurance. When you insure something, you pay an insurance company a certain amount of money every month or year. The company then promises to pay you some money if the person that you insured dies or is hurt or if the property is lost or stolen. For example, your health insurance pays for your hospital bills if you are sick or injured in an accident.

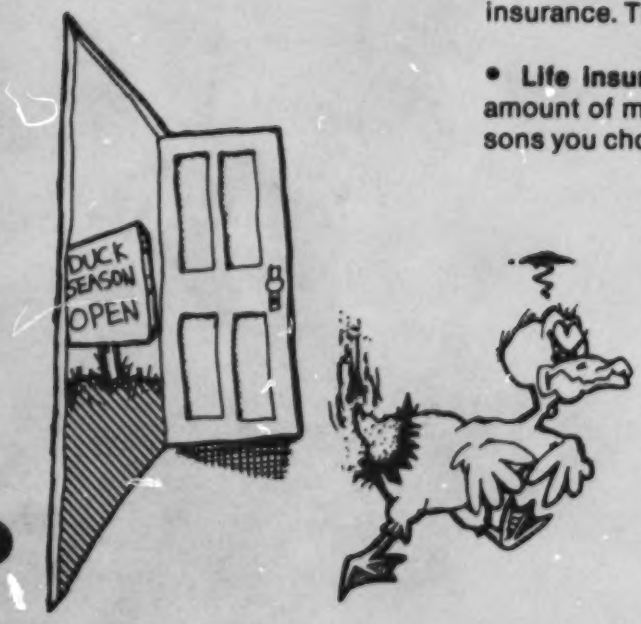
Having enough insurance is important. Bob found this out the hard way.



Janet and Bob both had sports cars. Janet insured her car against theft (stealing) by paying $4 a month to her insurance company. Bob also had car insurance, but not against theft. Then one night both cars were stolen. Janet's insurance company sent her money to buy another car. Since Bob didn't have theft insurance, he didn't get money to replace his car. The next time Bob buys a car he'll buy theft insurance, too!

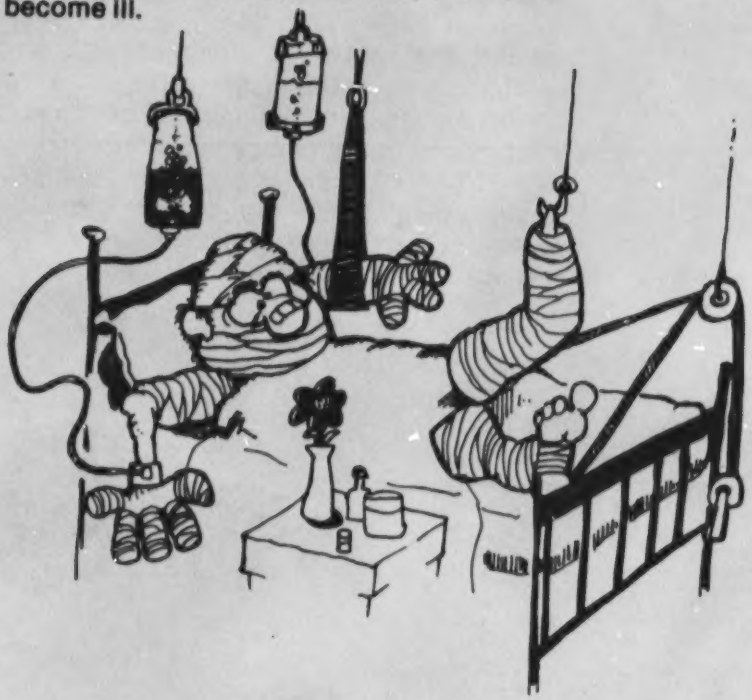
Insurance helps pay for such losses. There are many types of insurance. The main types are listed below.

- **Life insurance** makes sure that when you die a certain amount of money will be paid to your family or any other persons you choose.



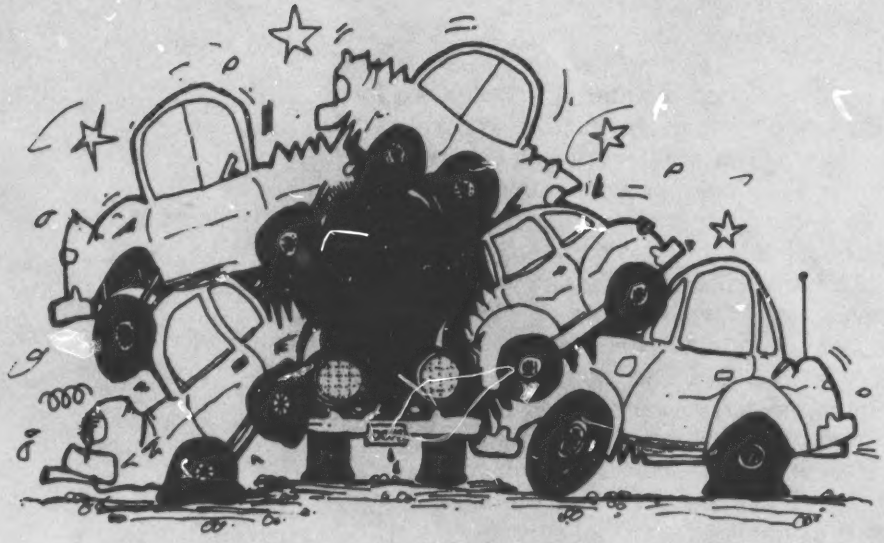
107

• **Health insurance** helps pay your doctor or hospital bills if you are injured or become ill.



• **Homeowner's insurance** protects your home and the people and things in it. If your home burns down or your furniture is damaged by smoke, the insurance company will pay you for your loss. If someone steals your TV or gets hurt in your home, the bills will be covered by your homeowner's insurance policy. If you rent your home or apartment, you can get a similar policy for renters.

108



• **Automobile insurance** will help pay the bills if your car is stolen or is damaged in an accident. In Florida, drivers are required to have *liability* insurance, a special type of automobile insurance. Liability insurance pays for the damage to the other car if an accident is your fault. It will also pay the medical bills for the people in the other car. Liability insurance is required by law to protect the other person. Many drivers protect themselves as well by taking out other types of insurance too. If you want insurance on your own car, you may buy *collision* insurance. Then if the collision (accident) is your fault, your company will pay for the damage to your car. Collision pays *you,* liability pays *others,* for the damage that you did. *Comprehensive* insurance covers your car if it is stolen, burned, or broken into. In summary:

Liability pays *other* people if the accident is your fault.
Collision pays *you* if the accident is your fault.
Comprehensive pays *you* if your car is stolen, broken into, or burned.

109

110

Activity:

Types of Insurance

Fill in the blanks with the correct type of insurance needed by each person.

1. Jack bought _____ insurance so that his family would have money when he died.

2. Alice lives in Florida and so the law requires her to buy _____ insurance for her car.

3. Celeda's hospital bill would have used up most of her savings if she hadn't had _____ insurance.

4. The first thing that Jill and Peter did when they bought their house was to buy some _____ insurance.

5. Roger bought _____ insurance in case his car was stolen.

Turn the page to check your answers.

111

Check your answers with those below.

1. life
2. automobile liability
3. health
4. homeowner's
5. automobile comprehensive

112

Name _____

Date _____

Self-Test

Objective 10

Match each type of insurance with its description by placing the letter of the correct insurance in the blank next to the description.

a. life insurance
b. health insurance
c. homeowner's insurance
d. automobile liability insurance
e. automobile collision insurance

___ 1. This will pay your doctor and hospital bills.
___ 2. This will pay for new furniture if your house burns down.
___ 3. This will pay the medical bills if you hurt someone with your car.
___ 4. This will pay your family money when you die.
___ 5. This will pay for your car repairs if you run into a telephone pole.

Turn the page to check your answers.

113

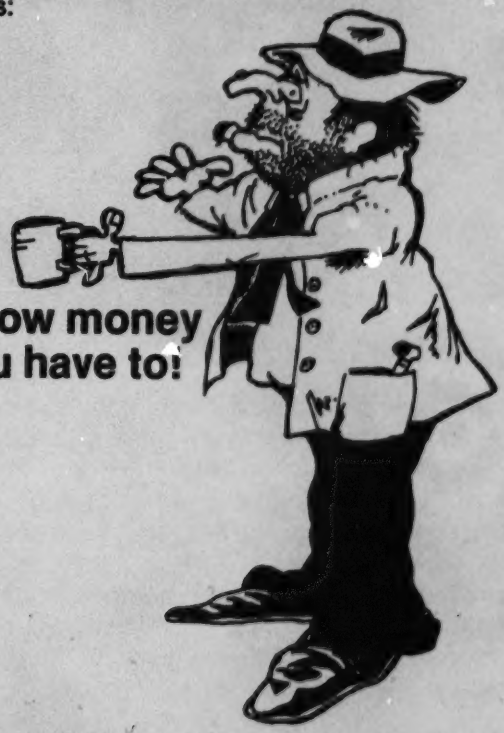
Answers to Objective 10

b 1. (health insurance)
c 2. (homeowner's insurance)
d 3. (automobile liability insurance)
a 4. (life insurance)
e 5. (automobile collision insurance)

If you could not correctly identify at least three types of insurance, review pages 107-112.

Borrowing Money

Even people who plan their budgets and savings to handle emergencies sometimes need more money than they have. When this happens, they need to know how and where to borrow money. The most important rule to remember about borrowing money is:



Don't borrow money unless you have to!

The reason for this is simple. When you borrow money, you have to pay back more than you borrow because you must also pay interest (a borrowing charge). It probably won't be any easier to pay that money next month than it is this month; so why borrow when you can save your money and buy what you want next month—without borrowing and paying interest?

Of course, sometimes you must borrow. For example, buying a car usually means taking out a loan. For large expenses like that, you have no choice. Just be sure you know the best place to borrow the money.

There are several places where you may borrow money. The most common places are banks, credit unions, and loan companies. You may also borrow money on your life insurance policy, take your things to a pawn shop and get money for them, or borrow money by mail. But not all of these places will treat you the same. Some are good, safe places to borrow from because they charge low interest rates. Others take advantage of you by charging high interest rates.

These places are good sources of **low interest** loans:

- *Banks* are good places to borrow money. They lend large and small amounts of money and have low interest rates. To borrow here you must have a good reputation for paying your bills, that is, a good credit rating. You should always pay your bills on time so that you build a good credit rating.

- A *credit union* is a special bank that some companies have for their employees. Credit unions are good places to borrow money. It is easy to get a loan there, and the interest rate is low. Not all companies have credit unions, however, and so you may have to borrow from a bank instead.

- Borrowing on *life insurance policies* is another way of getting a low interest loan, but not everyone has the right kind of insurance to do it. Ask your insurance agent if you can borrow money on your policy.

These places charge **high interest** rates:

- *Loan companies* are not good places to borrow money because the interest rate is high. Some people go to loan or finance companies because they don't have a good enough credit rating to borrow from a bank.

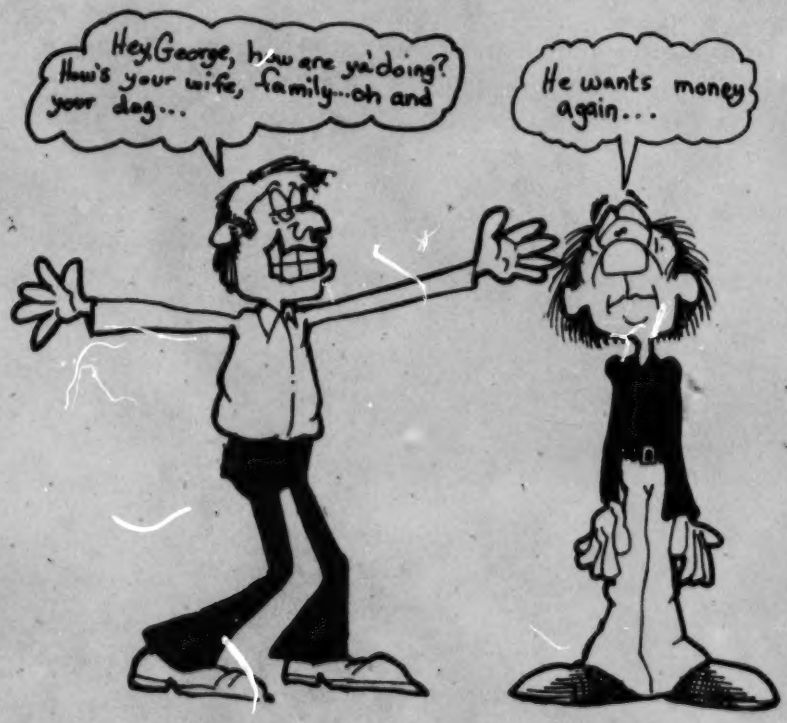
116

- *Mail order loans* are a lot like finance company loans because they charge high interest rates. The only difference is that you do all of your business by mail instead of in person.

- *Pawnshops* are one of the worst places to borrow money. You can get a small loan by letting the shop hold some of your property, such as a camera or jewelry. The pawnshop owner (pawnbroker) will give you much less money than your property is worth, and the interest rate is high. If you do not pay back the loan on time, you will not get your property back. You could lose an item that is worth much more than the amount you borrowed.

This source charges **no interest:**

- *Borrowing from friends* is perhaps the most common kind of loan. If you forget your lunch money one day, it's all right to borrow the money from a friend. But it is not a good idea to borrow a lot of money from a friend, or even to borrow small amounts again and again. Your friendship won't last long.



Low Interest Sources

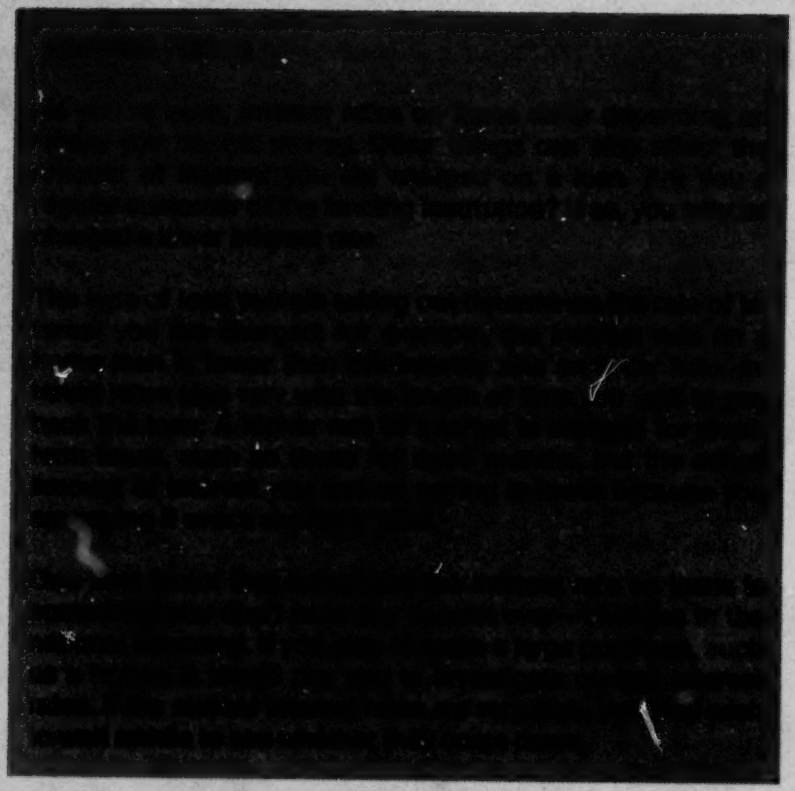
- banks
- credit unions
- borrowing on life insurance policies

High Interest Sources

- loan companies
- mail order loans
- pawn shops

Remember: Don't borrow money unless you have to! But if you *must* borrow money, get a loan from a place that charges *low interest.*

117



118

Activity:

Loans

Listed below are several places you can borrow money. Show the amount of interest—high or low—that each source charges by putting a check (✓) in the correct box.

	High Interest	Low Interest
mail order loans	☐	☐
banks	☐	☐
pawnshops	☐	☐
credit unions	☐	☐
borrowing on life insurance policies	☐	☐
loan companies	☐	☐

Now turn the page and check your answers.

Check your answers with those below.

	High Interest	Low Interest
mail order loans	☑	☐
banks	☐	☑
pawnshops	☑	☐
credit unions	☐	☑
borrowing on life insurance policies	☐	☑
loan companies	☑	☐

120

Name _____

Date _____

Self-Test

Objective 11

The following list contains places that charge high interest rates on loans and places that charge low interest rates. Decide which of the following loan sources have high interest rates and write them under the heading *high*. Write down the low interest sources under *low*.

pawnshops

banks

credit unions

loan companies

borrowing on life insurance policies

mail order loans

Low Interest Rate	High Interest Rate
_____	_____
_____	_____
_____	_____
_____	_____

Turn the page to check your answers.

Answers to Objective 11

Low Interest Rate	*High Interest Rate*
banks	loan companies
credit unions	pawnshops
borrowing on life insurance policies	mail order loans

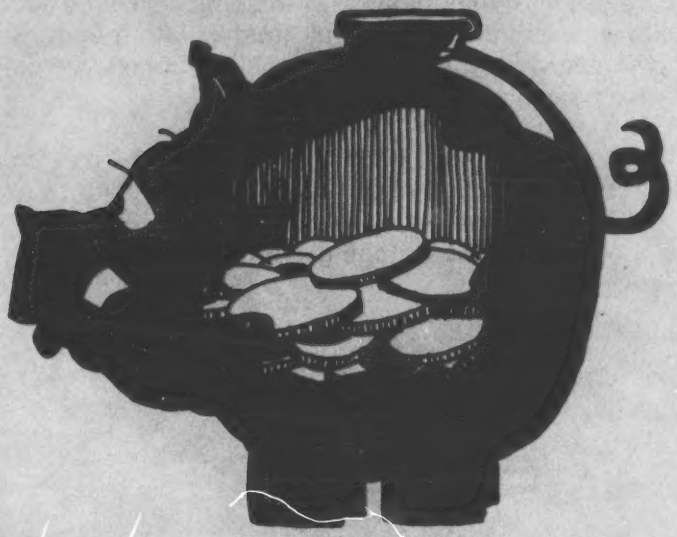
If you did not correctly list at least two sources that charge a high interest rate and at least two sources that charge a low interest rate, review pages 115-120.

122

Banking

Opening a Savings Account

You now know where to borrow money when you need it. Keep in mind that when you borrow money you have to pay interest. But if you save your money, you will have money to buy the things you want without having to borrow money and pay interest. Also, the money you put in a savings account earns interest for you. By saving money, you make money.



It's easy to open a savings account, and you can start one with as little as $5. Go to your bank, savings and loan association, or company credit union. Someone there will help you fill out the forms and show you how to deposit and withdraw your money. When you put money into your account, it is called a *deposit;* if you take money out, it is called a *withdrawal.*

There are several good reasons for opening a savings account:

- **Your savings account makes interest money for you.** The bank pays interest on the money that you save. For example, if you save $100, your money will earn another five or six dollars over the course of a year. Some types of savings accounts and some places pay a little more interest than others, so it's a good idea to shop around.

- **Your savings account can help you save for the future.** When you save money, you can make large purchases and meet unexpected expenses without borrowing. You can budget part of each paycheck to save for these goals or for an

emergency. You will also have cash on hand if a good bargain comes along.

- **Your money is safe in a savings account.** If you keep your savings at home, the money could be stolen or destroyed in a fire. Banks and savings and loan associations have special government insurance to protect your money. So if your bank is robbed or burns down, you won't lose your money.

- **A savings account shows others that you are careful with your money.** Banks do not want to lend money to people who are careless with their money. By keeping a savings account, you show others that you can be trusted with money. Stores and credit card companies are more likely to give you credit if you have a savings account.

Saving money is a good habit. At first it may be hard to save money that you would rather spend. Before long, however, you will learn to live without that extra money. Also, you'll have the pleasure of watching your money grow and earn interest.

124

125

Activity:

Savings Account

Fill in the blanks.

1. Your money is _____ in the bank than at home since the bank has special government insurance.

2. Having a savings account shows other people that you are _____ with your money.

3. Savings will help you save for the _____ .

4. Your savings earn money because the bank pays _____ .

Turn the page and check your answers.

Check your answers with those below. You do not have to have the same words, just the same general idea.

1. safer
2. careful
3. future
4. interest

Name _____

Date _____

Self-Test

Objective 12

List three benefits of keeping a savings account.

1 _____

_____

2 _____

_____

3 _____

_____

Turn the page to check your answers.

Answers to Objective 12

- Your savings account makes interest money for you.
- Your savings account can help you save for the future.
- Your money is safe in a savings account.
- A savings account shows others that you are careful with your money.

If you were unable to give at least two of these benefits, review pages 123-128.

Filling Out a Deposit Slip

When you open your savings account, the teller gives you two *signature cards* to fill out. These cards are a record of your signature and will keep someone else from taking money out of your account by signing your name.

The clerk also gives you a passbook. The passbook is a record of your savings account. Each time you deposit (put in) or withdraw (take out) money, the teller writes the amount in your book. The amount of money in your account is called the *balance*. Look at Mary's passbook below to see what one looks like.

Mary's Passbook

Acct 54738
ACCOUNT NUMBER

HAVE YOU ADDED TO YOUR SAVINGS "TODAY"?

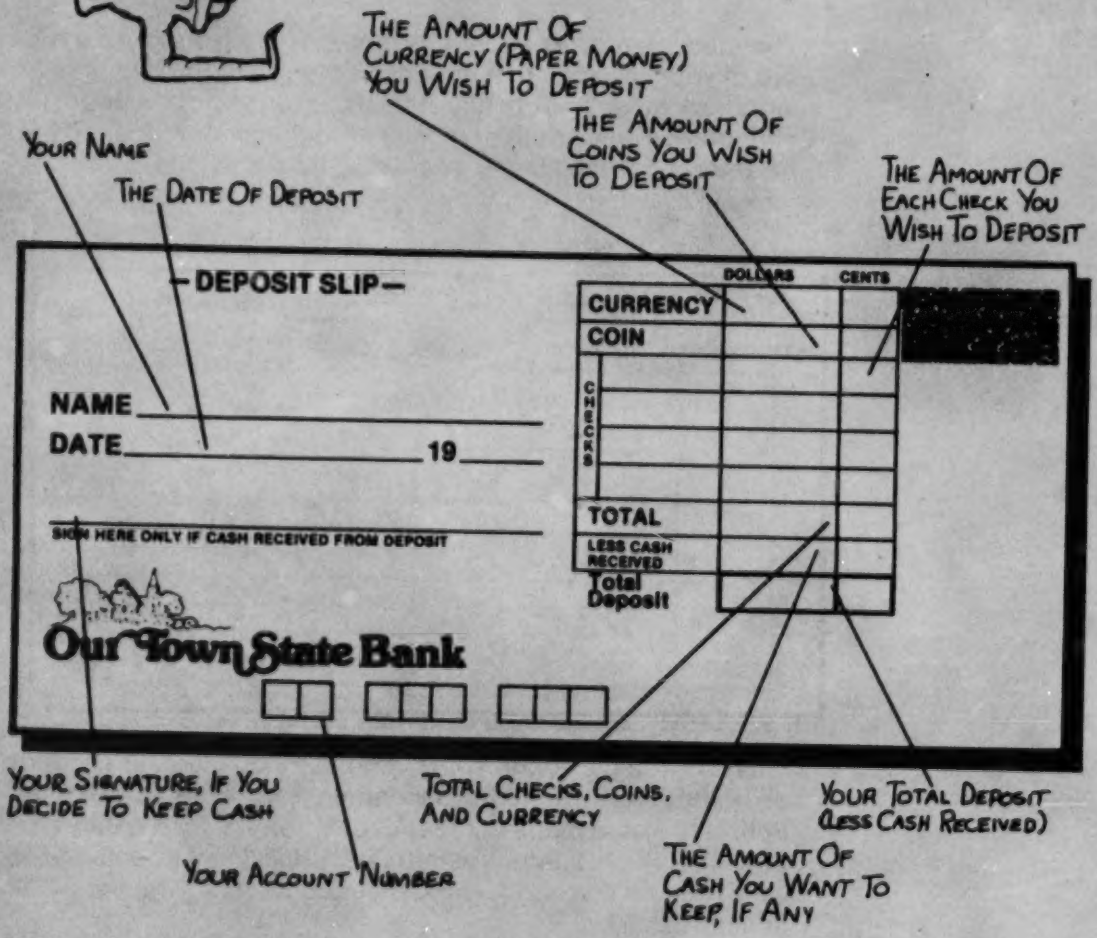
	DATE			INTEREST	WITHDRAWALS	DEPOSITS RECEIVED	BALANCE	
1	2-1-77					10.00	10.00	
2	2-8-77					10.00	20.00	
3	3-3-77				3.00		17.00	
4	3-18-77					8.50	25.50	
5								
6								
7								
8								
9								
10								
11								
12								

YOUR SAVINGS INSURED AGAINST LOSS UP TO $20,000

Line 1 of the passbook shows that Mary opened her account on February 1, 1977, by depositing $10. A week later, on February 8, she made another deposit of $10 for a balance of $20. On March 3, Mary withdrew $3, leaving her balance at $17. Then on March 18, she deposited $8.50, giving her a balance of $25.50.

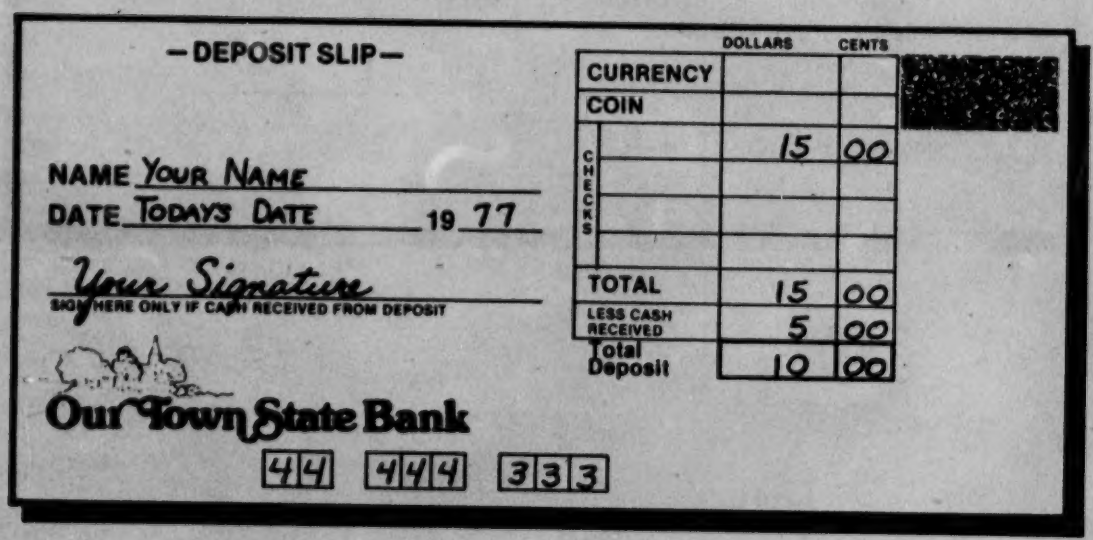
When you want to put in or take out money from your account, simply bring your passbook to the bank. Fill out either a deposit slip or a withdrawal slip and take it with your passbook to the teller's window. The teller takes your check or cash if you are making a deposit. If you are making a withdrawal, the teller gives you your money. The teller makes a record of the *transaction* (your deposit or withdrawal) in your passbook and returns it to you. Check to be sure that it shows the correct amount of your deposit or withdrawal and your new balance.

Each time you add money to your account, you fill out a deposit slip. All deposit slips do not look exactly alike, but all are filled out in about the same way. Let's look at one kind of deposit slip to see the information it contains.

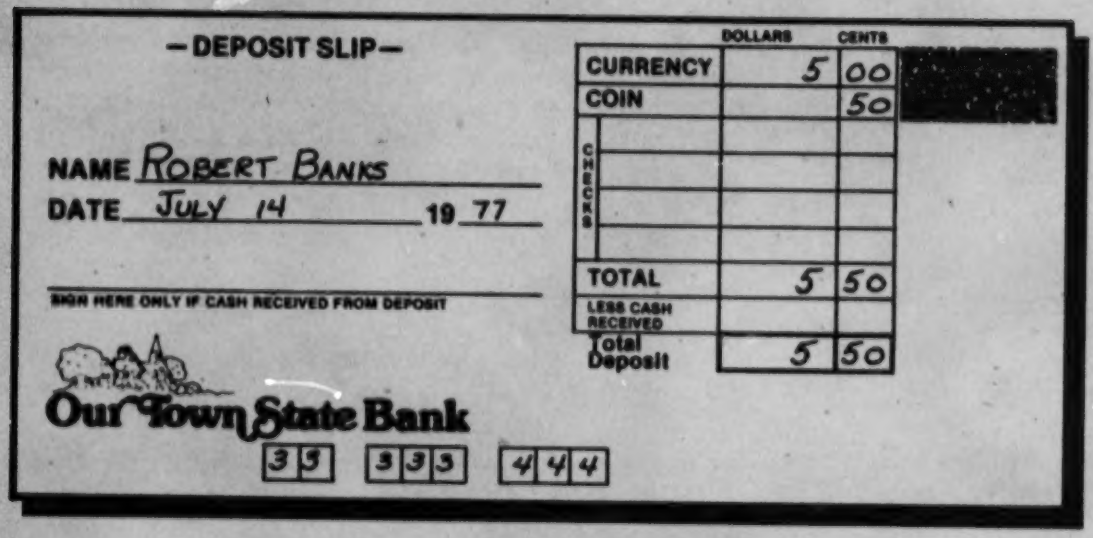


Sometimes you may not want to deposit all of the money that you have. Suppose that you have a $15 check and that you want to deposit only $10 because you need $5 for lunch. You would follow these steps.

- List your $15 check where it says *checks.*
- Write $15 where it says *total* since that is all the money you listed.
- Write $5 where it says *less cash received* since that is how much money you want to keep.
- Subtract the $5 you want to keep (*cash received*) from the $15 total. This will give you $10 for the *total deposit* to your account. Write $10 where it says *total deposit.*
- Sign (don't print) your name where it says *sign here only if cash received from deposit,* since you are keeping $5.



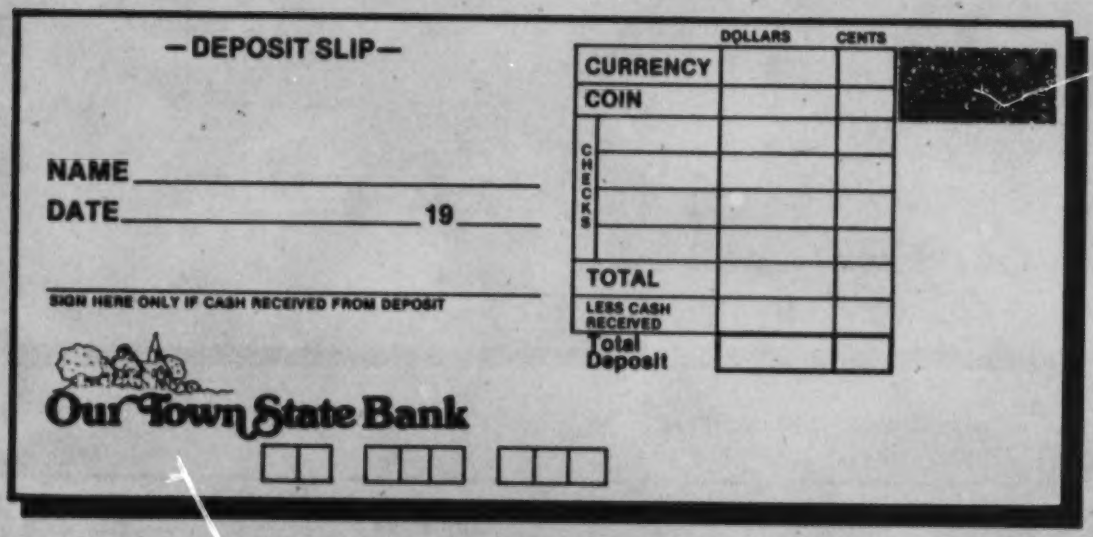
Deposits are not always that hard to make. Robert wants to deposit $5.50 in cash in his account. He has $5 in paper money (currency) and $.50 in coins. So he writes $5 where it says *currency*, $.50 where it says *coin*, and $5.50 where it says *total*. He doesn't have to sign the deposit slip because he doesn't receive any cash.



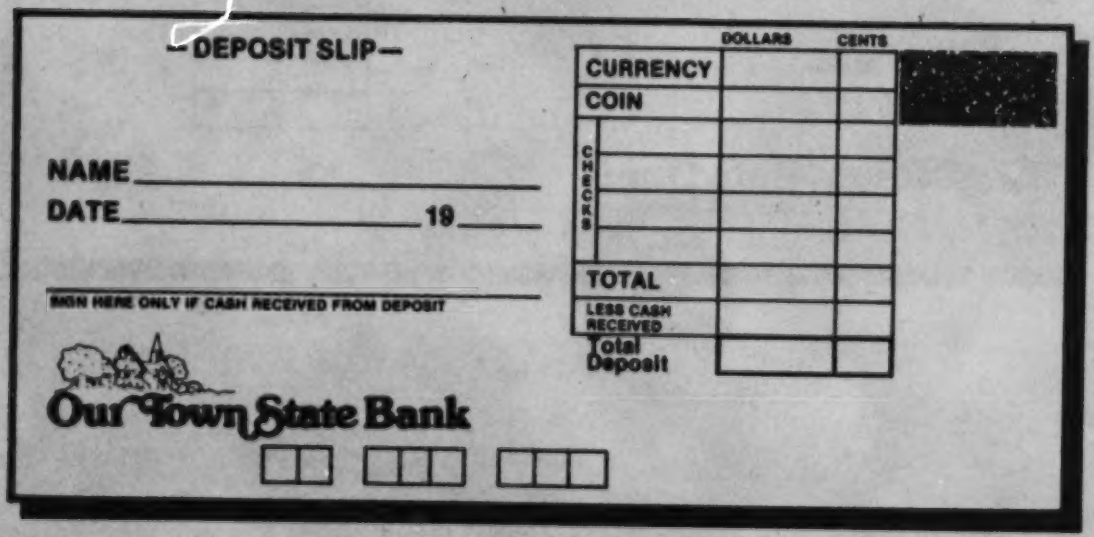
Activity:

Deposit Slips

1 Roger Lump wants to deposit a $10 bill in his savings account. His account number is 32-222-312. Fill out Roger's deposit slip using today's date.



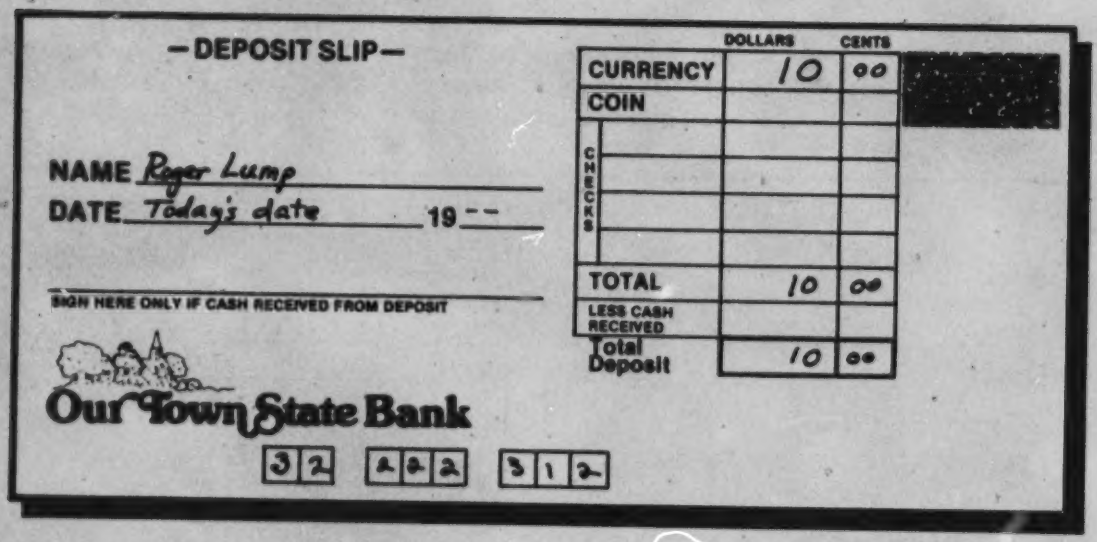
2 Louise Christie has two $10 checks. She wants to deposit $15 in her savings account and take $5 home with her. Her account number is 32-666-662 and the date is May 22, 1977. Fill out Louise's deposit slip.



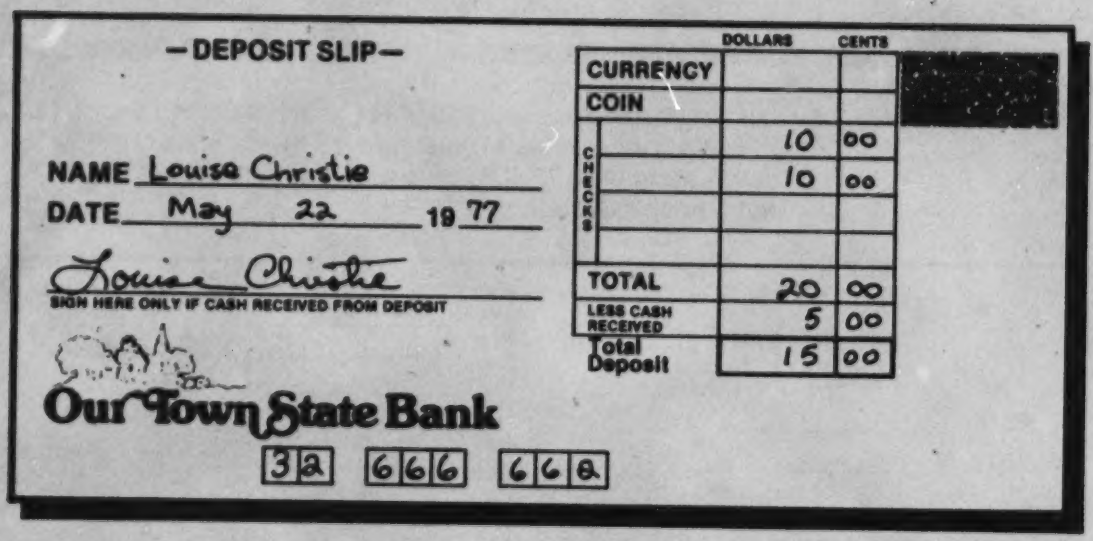
Turn the page to check your work.

Check your work.

1. Roger Lump's deposit slip:



2. Louise Christie's deposit slip:



Name _____

Date _____

Performance Test

Objective 13

Fill out the deposit slip on the next page. All the information you need is on that page.

After you have filled out the deposit slip, use the performance checklist below to be sure your work is complete and correct. Then show your deposit slip to your instructor. S(he) will check your work using the checklist. All items must be checked for you to pass this objective.

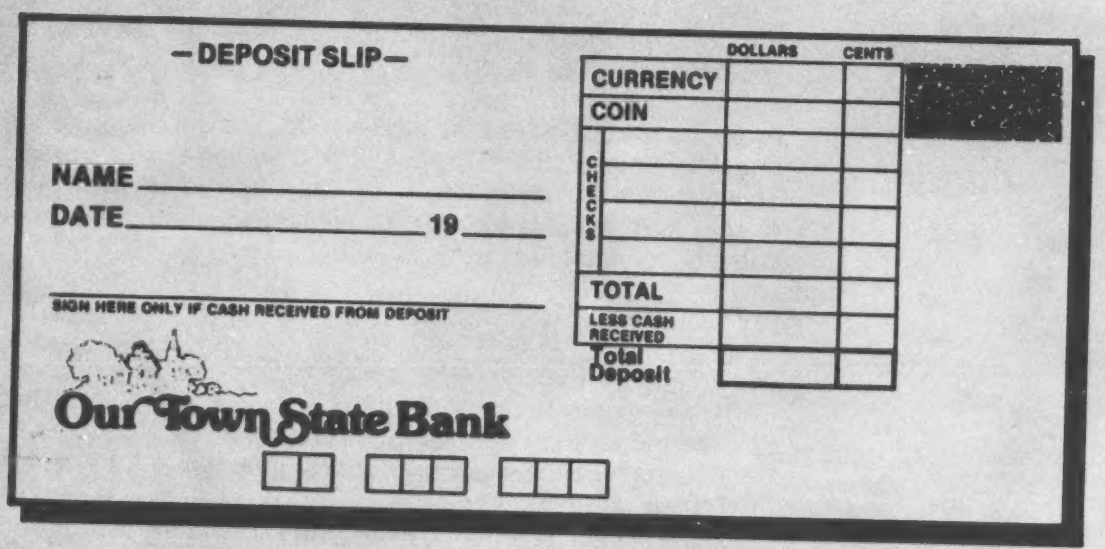
PERFORMANCE CHECKLIST

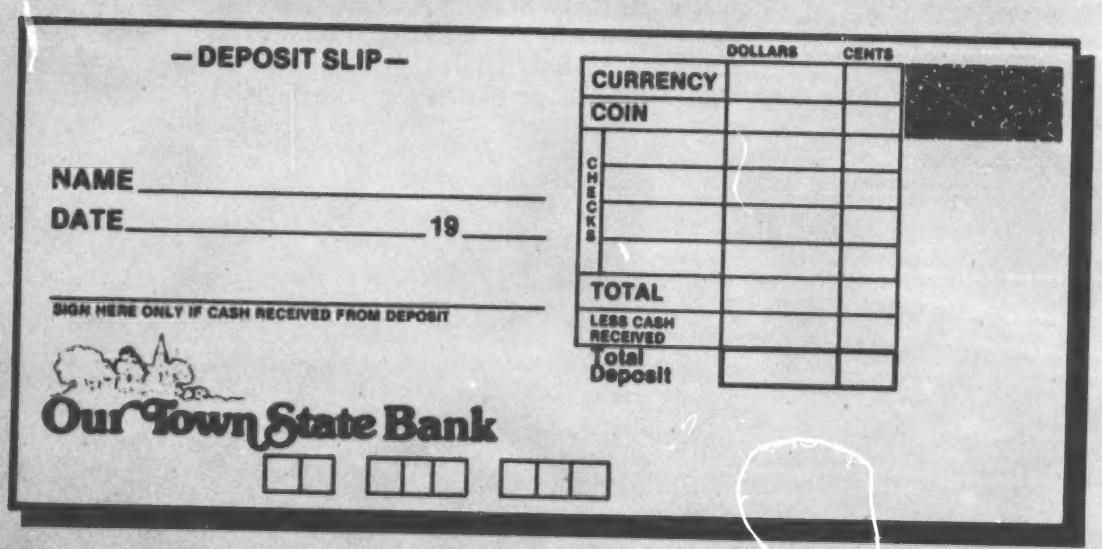
- ☐ Your name on the correct line
- ☐ Today's date on the correct line
- ☐ Correct account number in the correct box
- ☐ Correct amount of currency (paper money)
- ☐ Correct amount of coins
- ☐ Correct check amounts, each listed separately
- ☐ Correct total of all money
- ☐ Correct amount for "less cash received"
- ☐ Correct total deposit
- ☐ Your signature on the correct line if cash is received

Suppose that you have:

- a ten-dollar bill
- three dimes
- a check for $8
- a check for $4

Fill out the deposit slip below so that you can deposit $20.30 into your account and take $2.00 home with you. Use today's date and account number 82-415-891. (There are two copies of the deposit slip form, in case you make an error on your first try.)





Opening a Checking Account

Another useful bank service is a checking account. Unlike savings accounts, checking accounts do not earn interest. In fact, instead of paying you to keep your money in the bank, the bank may charge you a small fee for this service. This is called a *service charge*. With a checking account, however, you have the advantage of being able to write checks for the things you buy instead of having to carry around a lot of cash. Also, the bank returns your used checks to you. You can use these returned (cancelled) checks as proof of payment (for filing your income tax, or in case someone accuses you of not paying your bills).

You cannot write checks for more money than you have in your account. The amount of money you have in your account is called your balance. The most recent balance is called the current balance. If you have a balance of $25, you can write two checks for $10 and one for $5. Before you can write another check, though, you must make another deposit.

When you open a checking account, the bank gives you a pack of checks and a form to keep records on. Sometimes this form is nothing more than a stub on the end of each check, but more often it is a separate record book (called a checkbook or a check register) like the one shown below.

current balance

BE SURE TO DEDUCT ANY PER CHECK CHARGES OR MAINTENANCE CHARGES THAT MAY APPLY

DATE	CHECK NUMBER	CHECKS ISSUED TO OR DEPOSIT RECEIVED FROM	AMOUNT OF DEPOSIT	✓	AMOUNT OF CHECK	BALANCE
2 9	46	Bob's Hardware Store			2 00	88 00
2 11	47	John's Plumbing			10 00	78 00
2 16	-	Deposit - Allowance	3 00			81 00

SAMPLE

PAY TO THE ORDER OF _____ $ _____

_____ DOLLARS

Our Town State Bank

FOR _____

⑆0631-0068⑆ 0100 565851⑈

139

Each time you make a deposit or write a check, make a record of it in your checkbook. If you add each deposit and subtract each check, you will always know exactly how much money is in your account.

Look at Georgia's checkbook below. Each time she makes a deposit or writes a check, she records it in her checkbook.

BE SURE TO DEDUCT ANY PER CHECK CHARGES OR MAINTENANCE CHARGES THAT MAY APPLY

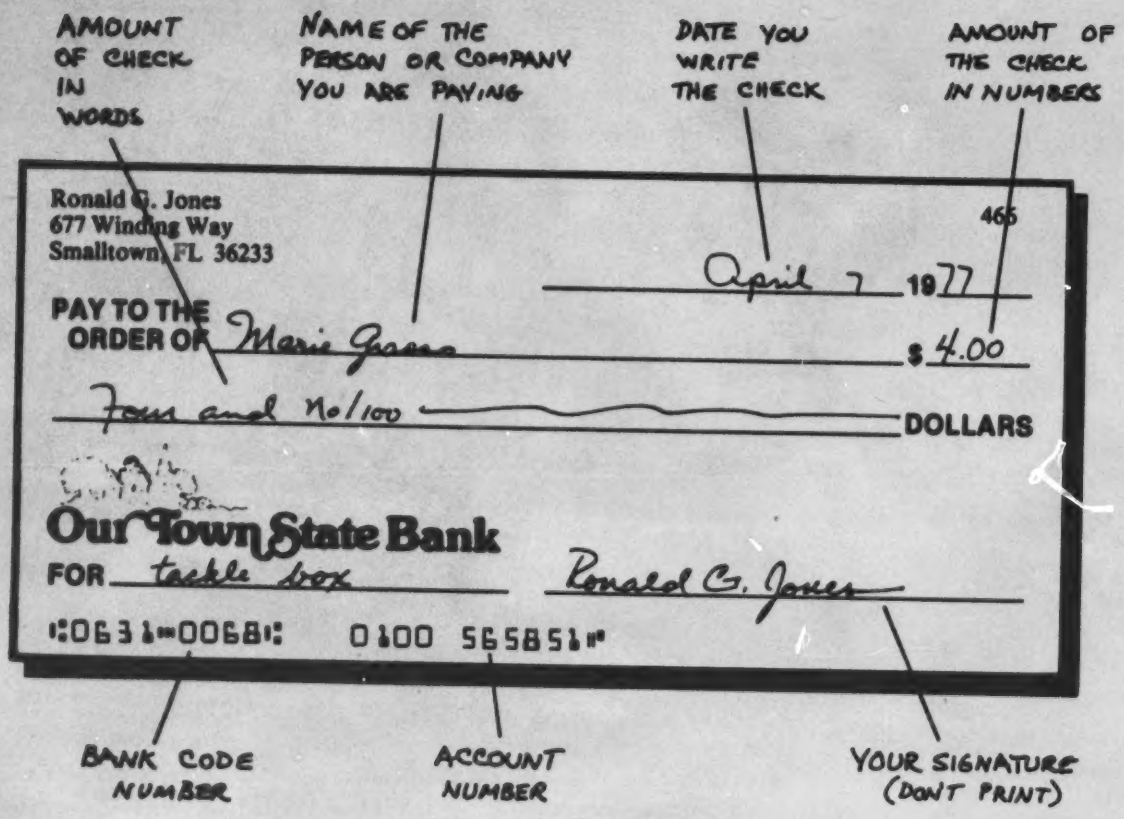
DATE	CHECK NUMBER	CHECKS ISSUED TO OR DEPOSIT RECEIVED FROM	AMOUNT OF DEPOSIT	✓	AMOUNT OF CHECK	BALANCE
						160 00
2 18	36	Otto's Repairs			20 00	140 00
3 1	37	Dr. Johnson			30 00	110 00
3 8	-	Deposit - Paycheck	100 00			210 00
3 9	38	Checker's Pizza			4 00	206 00

To record a check, Georgia writes the date the check is written, the number of the check (each check is printed with a number), to whom it is written, and the amount of the check. Then she subtracts the amount of the check from the old balance to get the current balance. For each deposit, Georgia writes in the date of the deposit, where the money came from, and the amount of the deposit. Deposit slips don't have numbers, and so she leaves that line blank. The amount of the deposit is added to the old balance to get a new balance.

Georgia is careful not to write checks unless there is enough money in her account to cover them. If she writes checks for more money than she has in her account, her account will be *overdrawn*. The bank will charge her a fine for writing *bad checks*, and the stores she gave the checks to may also charge her fines. If she gets a reputation for writing bad checks, stores won't accept her checks anymore. She may even be arrested. (If you find that you have overdrawn your account, call your bank immediately and ask what you should do.)

Making a deposit in your checking account is a lot like making a deposit in your savings account. You fill out a deposit slip and give it to the bank teller. The only difference is that with a checking account you do not hand in a passbook. You simply give the teller your deposit slip along with the money or checks you want to deposit. The teller will give you a receipt. Some banks have special deposit envelopes so you can "bank by mail." Ask the teller at your bank if they offer this customer service. It can save you the time and trouble of trips to the bank when you just want to deposit a check. Whether you make your deposit by mail or in person, don't forget to add the deposit in your checkbook.

Writing a check is easy. Notice the information you write on a check.



The following information is usually already printed on the check by the bank:

- your name and address
- the number of the check
- the bank's name
- the bank's code number
- your account number

Notice that the amount of the check is written in words beginning at the far left side of the line so no one can write anything else in front of it. It is followed by a line so that no one can write anything in back of it either. If you wrote: six and no/100, someone could fill in the space: ninety-six and no/100.

You'll also notice that "For _____" appears near the bottom of the check. Any bank or store will accept your check if this line is blank, because it contains information for your records only. It's a good idea to get into the habit of filling in this line, though. That way, when the bank returns your cancelled checks to you, you'll have a complete record of *where* and *how* you spent your money. For example, was the check you wrote to Foodland for groceries, or for cash to spend at the movies? If you keep a budget, this information is especially helpful.

Julie bought a bicycle on August 24 and paid for it by check. Notice how she filled out the check and recorded it in her checkbook.

Julie's Check

Julie Willow
3901 Sequoia Avenue
Live Oak, FL 32060

333

August 24 19 77

PAY TO THE ORDER OF Barry's Bike Shop $ 113.96

One hundred thirteen and 96/100 DOLLARS

Our Town State Bank

FOR bicycle Julie Willow

⑆0631-0068⑆ 0100 565851⑈

Julie's Checkbook

BE SURE TO DEDUCT ANY PER CHECK CHARGES OR MAINTENANCE CHARGES THAT MAY APPLY

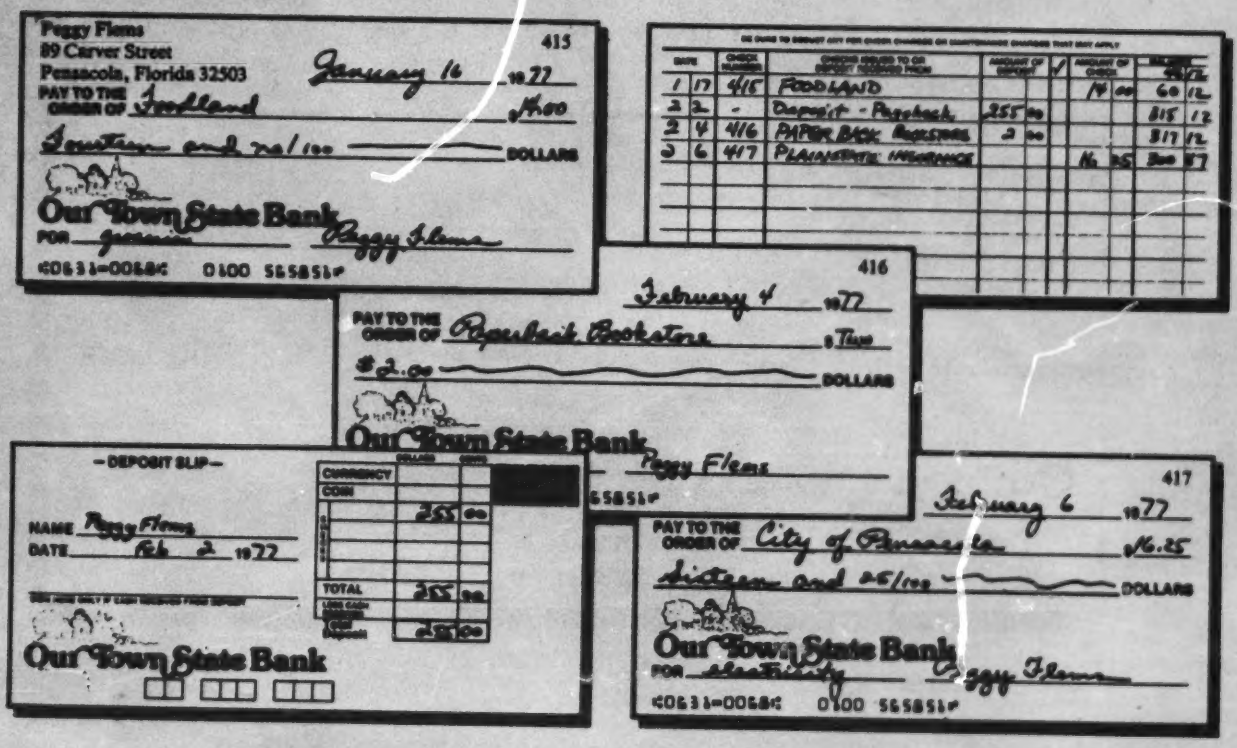
DATE	CHECK NUMBER	CHECKS ISSUED TO OR DEPOSIT RECEIVED FROM	AMOUNT OF DEPOSIT	✓	AMOUNT OF CHECK	BALANCE
						200 00
8 24	333	Barry's Bike Shop			113 96	86 04

Activity:

Checks and Checkbooks

1

Look at Peggy's checks, deposit slip, and checkbook. She made eight mistakes. Can you find them?



a. _____

b. _____

c. _____

d. _____

e. _____

f. _____

g. _____

h. _____

2

Roland Stone bought a stereo set for $136.95 from the Super Sound Shop on July 2, 1977. Fill out this check for Roland:

Roland Stone
31 Barracks Drive
Sandyland, FL 36227

547

SAMPLE

_____ 19____

PAY TO THE ORDER OF _____ $_____

_____ DOLLARS

Our Town State Bank

FOR _____ _____

⑆0631-0068⑆ 0100 565851⑈

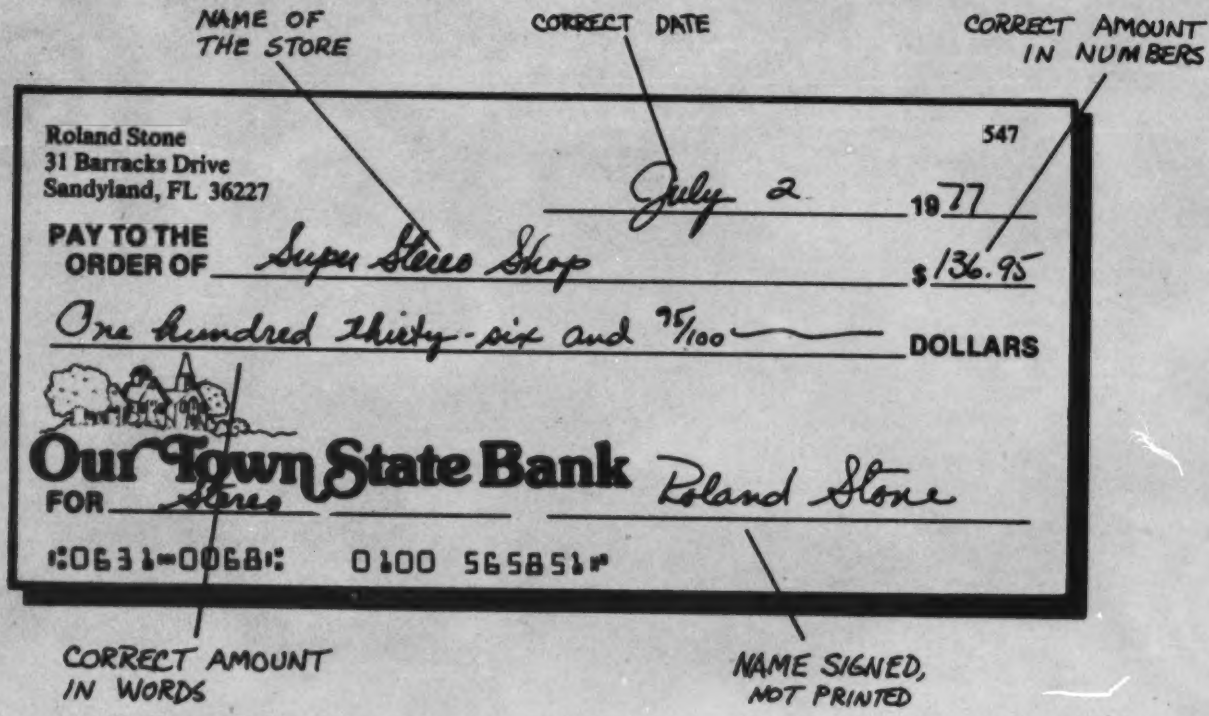
Turn the page to check your answers.

Check your answers with those below.

1. Peggy's eight mistakes:

   a. She recorded different dates on her check and in her checkbook for check 415.
   b. She printed her name, instead of signing it, on check 416.
   c. Peggy wrote "two" where she should have written "$2.00" on check 416.
   d. Peggy wrote "$2.00" where she should have written "two and no/100" on check 416.
   e. The check and the checkbook disagree on whom she made check 417 out to.
   f. Check 416 is entered in her checkbook as a deposit.
   g. Check 415 was added instead of subtracted from the current balance.
   h. Peggy did not write her account number on the deposit slip.

2. Roland's check looks like this:



Name _____

Date _____

Performance Test

Do it! **Objective 14**

Write a check for $14.62 to Sherman Oil Company for fuel oil. Use today's date and your own signature, and fill out one of the checks on the next page. Use the second check if you make a mistake.

Use the performance checklist below to see if you have written the check correctly; then show your work to your instructor. S(he) will check it, using the checklist. All items must be checked for you to pass this objective.

PERFORMANCE CHECKLIST

- ☐ Today's date on the correct line
- ☐ Check made out to the correct company on the correct line
- ☐ Correct amount of the check in numbers after $ _____
- ☐ Correct amount of the check in words before _____ Dollars
- ☐ Name signed, not printed

SAMPLE

547

_____ 19____

PAY TO THE ORDER OF _____ $_____

_____ DOLLARS

Our Town State Bank

FOR _____ _____

⑆0631-0068⑆ 0100 565851⑈

SAMPLE

547

_____ 19____

PAY TO THE ORDER OF _____ $_____

_____ DOLLARS

Our Town State Bank

FOR _____ _____

⑆0631-0068⑆ 0100 565851⑈

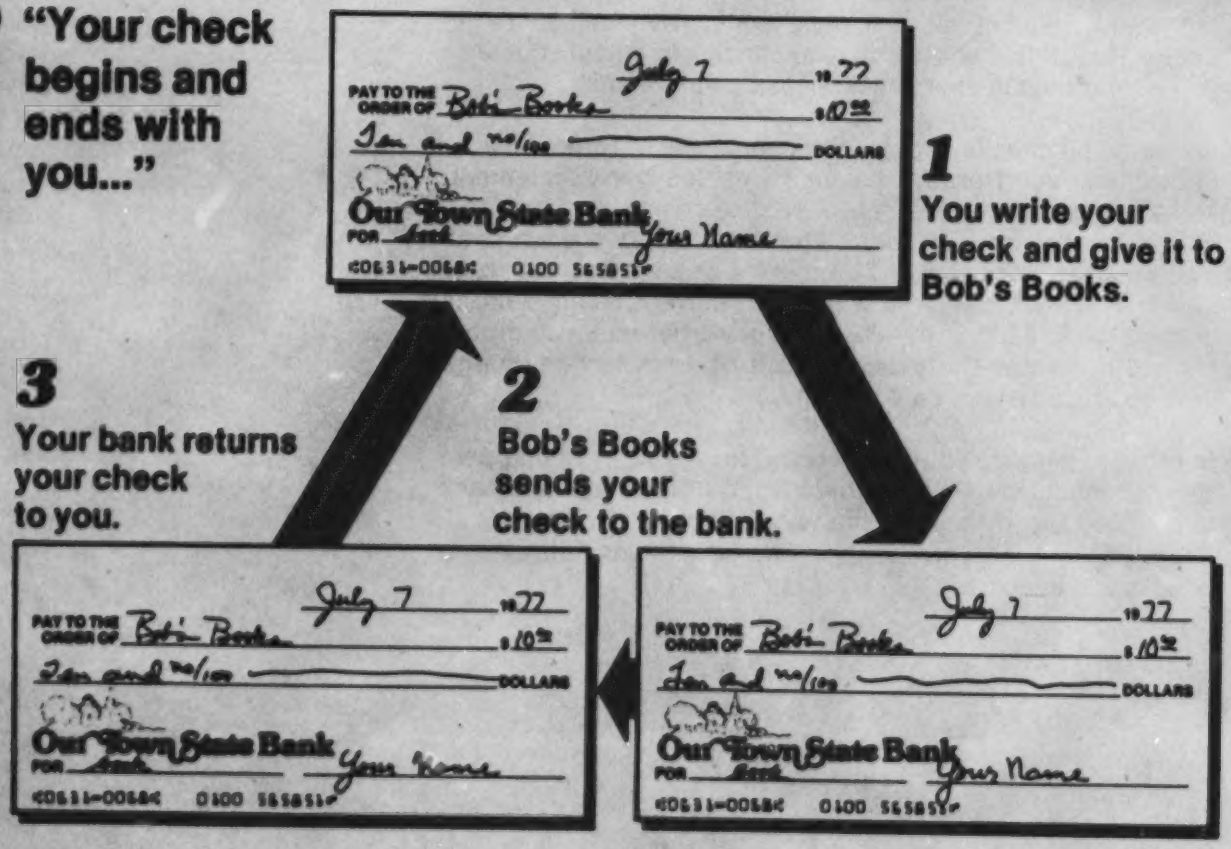
Balancing Your Checkbook

What happens to your checks after you write them? Although checks are like money in some ways, there are some important differences. If you give someone a $10 bill, s(he) can take that same $10 bill to a store and spend it. If you give someone a check for $10, however, s(he) cannot spend it as easily. First s(he) must change it for cash.

Let's look at another example. Suppose that you have $50 in your checking account (your current balance is $50). You buy a $10 novel at Bob's Books and pay for it by check. You write the information in your checkbook and subtract the $10 from your old balance of $50. You now have a current balance of $40.

The people at Bob's Books send your check to your bank for payment. Your bank subtracts the $10 from your account and pays it to Bob's Books. They record your new balance—$40—on their records. (A bank statement is the bank's record of your checking account.) Then they put your used check with the others you've written. These will be sent to you at the end of the month. Your check has moved like this:

"Your check begins and ends with you..."



1 You write your check and give it to Bob's Books.

2 Bob's Books sends your check to the bank.

3 Your bank returns your check to you.

You keep a record of your checking account, and so does the bank. You mark your checkbook whenever you write a check or make a deposit. Your bank marks its bank statement whenever it receives a deposit or a check you've written. At the end of each month your bank will mail you all of your checks it received during the month, as well as a bank statement. Then you must make sure that your records (the checkbook) agree with the bank's records (the bank statement). This is called *balancing* your checkbook. If you have a checking account, you must balance your checkbook with the bank statement once a month.

Balancing a checkbook sounds easy. You just compare the current balance in your checkbook with the new balance on the bank statement, right? Wrong! Unfortunately, it is not quite that easy.

Remember that you keep your records one way and the bank keeps them another way. You write deposits and checks in your checkbook immediately; so your records are always right up to date. But the bank's records are often behind. They don't record checks and deposits until they arrive at the bank. In the case of checks you mail out of town, this could be as much as three weeks later. Your statement would then be three weeks behind your checkbook. The checks and deposits that aren't shown on your bank statement, but that you've recorded in your checkbook, are *outstanding*.

Outstanding checks and deposits aren't the only reason your checkbook won't always balance with the bank statement. Many banks charge you a fee, or *service charge*, for keeping a checking account with them. These rates vary a great deal. You may pay a flat rate of $2 a month, or pay 10¢ a check, or pay a service charge only when your current balance drops below $100 or $200. But unless you pay a flat rate, you probably will not know the exact amount of your service charge until you receive your bank statement.

In order to balance your checkbook, then, you must compare the current balance in your checkbook with the *adjusted* bank balance to see if they are the same. The adjusted bank balance will include your service charge and all outstanding checks and deposits.

To balance your checkbook you must compare:

what your checkbook balance would be *if* you knew the exact amount of your service charge

WITH

what your bank statement would say *if* the bank knew about all of your outstanding checks and deposits.

To arrive at the adjusted bank balance, you must do a little adding and subtracting. The form on the back of your monthly bank statement will show you exactly what to do, step by step.

Each month your bank will send you a bank statement and all of the cancelled checks and deposit slips it received during that month. Look at Cathy's statement and cancelled checks and deposit slips on the next page. She compared the bank statement with her checkbook. Notice what each part of the statement means. Be sure that you can identify:

- the new balance (on the statement)
- the current balance (in the checkbook)
- the outstanding checks (in the checkbook)
- the outstanding deposits (in the checkbook)
- the service charge (on the statement).

Cathy's Bank Forms ⇨

Notice that Cathy has placed a mark (✓) in her checkbook beside each check and deposit that is shown on the statement. This is a very important step in balancing your checkbook. You'll be shown why later.

Cathy's Checkbook

BE SURE TO DEDUCT ANY PER CHECK CHARGES OR MAINTENANCE CHARGES THAT MAY APPLY

DATE	CHECK NUMBER	CHECKS ISSUED TO OR DEPOSIT RECEIVED FROM	AMOUNT OF DEPOSIT	✓	AMOUNT OF CHECK	BALANCE
						200 00
5 15	38	City of Sandbar		✓	10 00	190 00
5 16	39	Sub Shop			3 00	187 00
5 16	40	Sarah's Dress Shop		✓	20 00	167 00
5 19	41	Northside Service Station		✓	10 00	157 00
5 21	—	Deposit - Savings	40 00	✓		197 00
5 28	-	Deposit - Refund	5 00			202 00
6 12	42	School Bookstore		✓	50 00	152 00

CURRENT BALANCE

OUTSTANDING CHECK - NO MARK (✓)

OUTSTANDING DEPOSIT - NO MARK (✓)

Cancelled Checks

Cathy Call
221 South Street
Sandbar, FL 36811

38

May 15 19 77

PAY TO THE ORDER OF City of Sandbar $ 10.00

Ten and no/100 DOLLARS

Our Town State Bank

FOR tickets Cathy Call

⑆0631-0068⑆ 010 565851⑈

Cathy Call
221 South Street
Sandbar, FL 36811

40

May 16 19 77

PAY TO THE ORDER OF Sarah's Dress Shop $ 20.00

Twenty and no/100 DOLLARS

Our Town State Bank

FOR Cathy Call

⑆0631-0068⑆ 010 565851⑈

Cathy Call
221 South Street
Sandbar, FL 36811

41

May 19 19 77

PAY TO THE ORDER OF Northside Service Station $ 10.00

Ten and no/100 DOLLARS

Our Town State Bank

FOR oil change Cathy Call

⑆0631-0068⑆ 010 565851⑈

Cathy Call
221 South Street
Sandbar, FL 36811

42

June 12 19 77

PAY TO THE ORDER OF School Bookstore $ 50.00

Fifty and no/100 DOLLARS

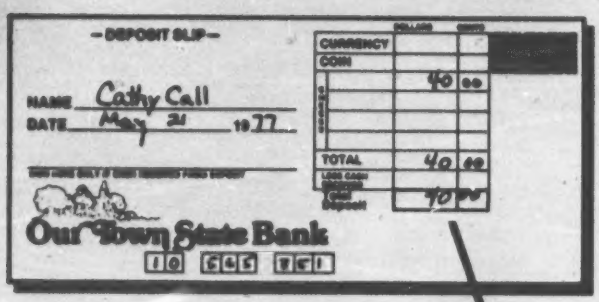
Our Town State Bank

FOR books Cathy Call

⑆0631-0068⑆ 010 565851⑈

152

Deposit Slip



THE ONE-MONTH PERIOD COVERED BY THIS BANK STATEMENT

DATE THE CHECK OR DEPOSIT WAS RECEIVED AT THE BANK

Cathy's Bank Statement

CATHY C. CALL
221 SOUTH STREET
SANDBAR, FL 36811

Our Town State Bank

STATEMENT OF CHECKING ACCOUNT

ACCOUNT NUMBER 565851	FOR THE PERIOD 5-17 TO 6-16-77	PREVIOUS BALANCE 200.00

CHECKS AND CHARGES	DEPOSITS/CREDITS	DATE	BALANCE
10.00		5-17	190.00
20.00		5-18	170.00
10.00		5-21	160.00
	40.00	5-21	200.00
50.00		6-13	150.00
S.C. 2.00		6-16	148.00
			NEW BALANCE-148.00

SERVICE CHARGE

153

Activity:

Checking Account Forms

Jackie received the following from her bank:

Jackie's Bank Statement

JACKIE GUY
P. O. BOX 221
CLAYTON, FL 32810

Our Town State Bank

STATEMENT OF CHECKING ACCOUNT

ACCOUNT NUMBER 10566851 | FOR THE PERIOD 12-1 TO 1-1-77 | PREVIOUS BALANCE 150.00

CHECKS AND CHARGES	DEPOSITS/CREDITS	DATE	BALANCE
		12-2	130.00
20.00			
	7.00	12-4	137.00
5.00		12-8	132.00
	3.00	12-14	135.00
S.C. 1.00			
		1-1	134.00
		NEW BALANCE-134.00	

Jackie's Deposit Slips

— DEPOSIT SLIP —

NAME Jackie Guy
DATE Dec 4 19 76

	DOLLARS	CENTS
CURRENCY	2	00
COIN		
	5	00
TOTAL	7	00
LESS CASH RECEIVED		
Net Deposit	7	00

Our Town State Bank
10 565 851

— DEPOSIT SLIP —

NAME Jackie Guy
DATE Dec 14 19 77

	DOLLARS	CENTS
CURRENCY	3	00
COIN		
TOTAL	3	00
LESS CASH RECEIVED		
Net Deposit	3	00

Our Town State Bank
10 565 851

Jackie's Cancelled Checks

Jackie Guy
P. O. Box 221
Clayton, FL 32810

116

December 1 19 76

PAY TO THE ORDER OF Joe's Steaks $ 20.00

Twenty and no/100 DOLLARS

Our Town State Bank
FOR dinner Jackie Guy

⑆0631-0068⑆ 010 565851⑈

Jackie Guy
P.O. Box 221
Clayton, FL 32810

118

December 6 19 76

PAY TO THE ORDER OF Davis Drug Store $ 5.00

Five and no/100 DOLLARS

Our Town State Bank
FOR prescription Jackie Guy

⑆0631-0068⑆ 010 565851⑈

1

Place a mark (✓) in the column labeled ☑ beside each check that appears on Jackie's bank statement. Place your marks in Jackie's checkbook below.

2

Place a mark (✓) in the column labeled ☑ beside each deposit that appears on Jackie's bank statement. Place your marks in Jackie's checkbook below.

Jackie's Checkbook

BE SURE TO DEDUCT ANY PER CHECK CHARGES OR MAINTENANCE CHARGES THAT MAY APPLY

DATE		CHECK NUMBER	CHECKS ISSUED TO OR DEPOSIT RECEIVED FROM	AMOUNT OF DEPOSIT		✓	AMOUNT OF CHECK		BALANCE 150	00
12	1	116	Joe Steake				20	00	130	00
12	2	117	House of Sound				6	00	124	00
12	4	—	Deposit - Jarvis Check	7	00				131	00
12	6	118	Davis Drug Store				5	00	126	00
12	10	—	Deposit - Tips	2	00				128	00
12	13	119	Game Tickets				9	00	119	00
12	14	—	Deposit - Tips	3	00				122	00
12	16	—	Deposit - Birthday $	11	00				133	00

3

Fill in each blank below with the proper amount. All of the information you need is on Jackie's forms.

a. The new balance on the bank statement is _____.

b. The current balance in the checkbook is _____.

c. The amounts of the outstanding checks are _____ and _____.

d. The amounts of the outstanding deposits are _____ _____ and _____.

e. The service charge is _____.

Turn the page to check your answers.

Check your work here.

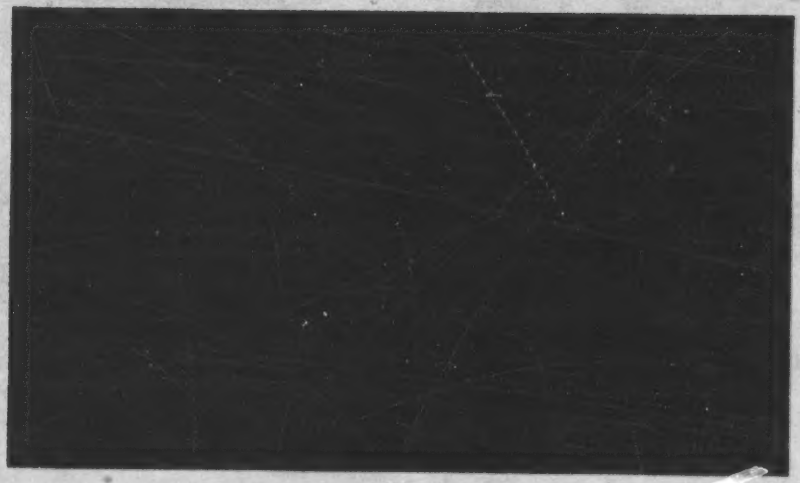
1-2. Compare the marks you made with the ones in the checkbook below.

BE SURE TO DEDUCT ANY PER CHECK CHARGES OR MAINTENANCE CHARGES THAT MAY APPLY

DATE	CHECK NUMBER	CHECKS ISSUED TO OR DEPOSIT RECEIVED FROM	AMOUNT OF DEPOSIT	✓	AMOUNT OF CHECK	BALANCE
						150 00
12 1	116	Jai Alai		✓	20 00	130 00
12 2	117	House of Sound			6 00	124 00
12 4	—	Deposit - Travis Check	7 00	✓		131 00
12 6	118	Davis Drug Store		✓	5 00	126 00
12 10	—	Deposit - Tips	2 00			128 00
12 13	119	Game Tickets			9 00	119 00
12 14	—	Deposit - Tips	3 00	✓		122 00
12 16	—	Deposit - Birthday $	11 00			133 00

3. Compare your answers with the correct answers below.

a. The new balance on the bank statement is $134.00.
b. The current balance in the checkbook is $133.00.
c. The amounts of the outstanding checks are $6.00 and $9.00.
d. The amounts of the outstanding deposits are $2.00 and $11.00.
e. The service charge is $1.00.



Using the Balancing Form

Donna received a bank statement from her bank:

Donna's Bank Statement

Our Town State Bank

DONNA BLOOT
221-B BAKER STREET
TALLAHASSEE, FL 32307

STATEMENT OF CHECKING ACCOUNT

ACCOUNT NUMBER 107007	FOR THE PERIOD 3-15 TO 4-14-77	PREVIOUS BALANCE 240.00

CHECKS AND CHARGES	DEPOSITS/CREDITS	DATE	BALANCE
15.00		3-20	225.00
25.00		3-24	200.00
S.C. 1.00		4-14	199.00
		NEW BALANCE-199.00	

She compared the information on the bank statement with the information in her checkbook.

Donna's Checkbook

BE SURE TO DEDUCT ANY PER CHECK CHARGES OR MAINTENANCE CHARGES THAT MAY APPLY

DATE	CHECK NUMBER	CHECKS ISSUED TO OR DEPOSIT RECEIVED FROM	AMOUNT OF DEPOSIT	✓	AMOUNT OF CHECK	BALANCE
						240 00
3 16	46	Gas Shop			15 00	225 00
3 17	47	Dr. Robertson			25 00	200 00
3 19	—	Deposit - paycheck	20 00			220 00
3 24	48	Willy's Pet Shop			20 00	200 00
4 2	49	Alice's Restaurant			10 00	190 00

Donna found this balancing form on the back of her bank statement. It showed her how to balance her checkbook, step by step. **Read** through the steps yourself, then turn the page to see exactly how Donna followed steps A-E to balance her checkbook.

TAKE THESE EASY STEPS TO BALANCE YOUR CHECKBOOK

A WRITE THE SERVICE CHARGE SHOWN ON THE BANK STATEMENT IN YOUR CHECKBOOK AND SUBTRACT IT FROM THE CURRENT BALANCE.

B PLACE A MARK (✓) IN YOUR CHECKBOOK BESIDE THE SERVICE CHARGE.

THEN PLACE A MARK (✓) IN YOUR CHECKBOOK BESIDE EVERY DEPOSIT AND CHECK THAT IS SHOWN ON THE BANK STATEMENT.

C ON THE BALANCING FORM BELOW, LIST THE AMOUNTS OF ALL OUTSTANDING DEPOSITS (DEPOSITS THAT DO *NOT* HAVE A MARK (✓) BESIDE THEM).

ADD UP ALL OF THE OUTSTANDING DEPOSITS AND PLACE THE TOTAL ON THE BALANCING FORM AFTER "LIST AND TOTAL ALL OUTSTANDING DEPOSITS."

D IN THE BOXES UNDER "CHECKS OUTSTANDING," LIST THE CHECK NUMBER AND THE AMOUNT OF ALL OUTSTANDING CHECKS (CHECKS THAT DO *NOT* HAVE A MARK (✓) BESIDE THEM).

ADD UP THE OUTSTANDING CHECKS AND PUT THE TOTAL IN THE BOX MARKED "TOTAL" AT THE BOTTOM OF THE COLUMN.

E FILL IN THE BALANCING FORM BELOW:

WRITE IN THE NEW BALANCE FROM THE STATEMENT.

LIST AND TOTAL THE OUTSTANDING DEPOSITS (STEP C ABOVE).

ADD TOGETHER THE NEW BALANCE AND THE TOTAL OF THE OUTSTANDING DEPOSITS. WRITE IN THAT AMOUNT.

WRITE IN THE TOTAL OF THE CHECKS OUTSTANDING.

SUBTRACT THE TOTAL OF THE CHECKS OUTSTANDING FROM THE TOTAL ABOVE IT (THE NEW BALANCE PLUS THE OUTSTANDING DEPOSITS). THIS IS THE ADJUSTED BANK BALANCE. THE ADJUSTED BANK BALANCE SHOULD BE THE SAME AS THE CURRENT BALANCE IN YOUR CHECKBOOK. IF IT IS NOT, GO BACK AND CHECK YOUR WORK.

CHECKS OUTSTANDING		
CHECK NUMBER	AMOUNT	
TOTAL		

BALANCING FORM	
WRITE IN THE "NEW BALANCE" SHOWN ON THE FRONT OF THE STATEMENT	
LIST AND TOTAL ALL OUTSTANDING DEPOSITS. WRITE THE TOTAL HERE	
ADD THE TWO NUMBERS ABOVE (THE NEW BALANCE AND THE TOTAL OF THE OUTSTANDING DEPOSITS). WRITE IN THE SUM HERE	
WRITE IN THE TOTAL CHECKS OUTSTANDING	
SUBTRACT THE TOTAL CHECKS OUTSTANDING FROM THE NUMBER ABOVE IT (NEW BALANCE PLUS OUTSTANDING DEPOSITS). THIS IS THE ADJUSTED BANK BALANCE	

TAKE THESE EASY STEPS TO BALANCE YOUR CHECKBOOK

Donna wrote the service charge in her checkbook and subtracted it from the checkbook balance.

A WRITE THE SERVICE CHARGE SHOWN ON THE BANK STATEMENT IN YOUR CHECKBOOK AND SUBTRACT IT FROM THE CURRENT BALANCE.

Donna placed a mark (✓) in her checkbook beside the service charge and beside every deposit and check shown on her bank statement (there were two checks and no deposits).

B PLACE A MARK (✓) IN YOUR CHECKBOOK BESIDE THE SERVICE CHARGE.

THEN PLACE A MARK (✓) IN YOUR CHECKBOOK BESIDE EVERY DEPOSIT AND CHECK THAT IS SHOWN ON THE BANK STATEMENT.

Donna listed and added up all her outstanding deposits (she had only one).

C ON THE BALANCING FORM BELOW, LIST THE AMOUNTS OF ALL OUTSTANDING DEPOSITS (DEPOSITS THAT DO *NOT* HAVE A MARK (✓) BESIDE THEM).

ADD UP ALL OF THE OUTSTANDING DEPOSITS AND PLACE THE TOTAL ON THE BALANCING FORM AFTER "LIST AND TOTAL ALL OUTSTANDING DEPOSITS."

Donna listed and added up all her outstanding checks (there were two).

D IN THE BOXES UNDER "CHECKS OUTSTANDING," LIST THE CHECK NUMBER AND THE AMOUNT OF ALL OUTSTANDING CHECKS (CHECKS THAT DO *NOT* HAVE A MARK (✓) BESIDE THEM).

ADD UP THE OUTSTANDING CHECKS AND PUT THE TOTAL IN THE BOX MARKED "TOTAL" AT THE BOTTOM OF THE COLUMN.

E FILL IN THE BALANCING FORM BELOW:

WRITE IN THE NEW BALANCE FROM THE STATEMENT.

LIST AND TOTAL THE OUTSTANDING DEPOSITS (STEP C ABOVE).

ADD TOGETHER THE NEW BALANCE AND THE TOTAL OF THE OUTSTANDING DEPOSITS. WRITE IN THAT AMOUNT.

WRITE IN THE TOTAL OF THE CHECKS OUTSTANDING.

SUBTRACT THE TOTAL OF THE CHECKS OUTSTANDING FROM THE TOTAL ABOVE IT (THE NEW BALANCE PLUS THE OUTSTANDING DEPOSITS). THIS IS THE ADJUSTED BANK BALANCE. THE ADJUSTED BANK BALANCE SHOULD BE THE SAME AS THE CURRENT BALANCE IN YOUR CHECKBOOK. IF IT IS NOT, GO BACK AND CHECK YOUR WORK.

CHECKS OUTSTANDING		
CHECK NUMBER	AMOUNT	
48	20	00
49	10	00
TOTAL	30	00

160

BALANCING FORM		
WRITE IN THE "NEW BALANCE" SHOWN ON THE FRONT OF THE STATEMENT		
LIST AND TOTAL ALL OUTSTANDING DEPOSITS. WRITE THE TOTAL HERE	20	00
ADD THE TWO NUMBERS ABOVE (THE NEW BALANCE AND THE TOTAL OF THE OUTSTANDING DEPOSITS). WRITE IN THE SUM HERE		
WRITE IN THE TOTAL CHECKS OUTSTANDING		
SUBTRACT THE TOTAL CHECKS OUTSTANDING FROM THE NUMBER ABOVE IT (NEW BALANCE PLUS OUTSTANDING DEPOSITS). THIS IS THE ADJUSTED BANK BALANCE		

D

Donna's Bank Statement

Our Town State Bank

DONNA BLOOT
221-B BAKER STREET
TALLAHASSEE, FL 32307

STATEMENT OF CHECKING ACCOUNT

ACCOUNT NUMBER 107007	FOR THE PERIOD 3-15 TO 4-14-77	PREVIOUS BALANCE 240.00

CHECKS AND CHARGES	DEPOSITS/CREDITS	DATE	BALANCE
15.00		3-20	225.00
25.00		3-24	200.00
S.C. 1.00		4-14	199.00
			NEW BALANCE - 199.00

A

B

Donna's Checkbook

BE SURE TO DEDUCT ANY PER CHECK CHARGES OR MAINTENANCE CHARGES THAT MAY APPLY

DATE	CHECK NUMBER	CHECKS ISSUED TO OR DEPOSIT RECEIVED FROM	AMOUNT OF DEPOSIT	✓	AMOUNT OF CHECK	BALANCE
						240 00
3 16	46	Sew Shop		✓	15 00	225 00
3 17	47	Dr. Robertson		✓	25 00	200 00
3 19	—	Deposit - paycheck	20 00			220 00
3 24	48	Willy's Pet Shop			20 00	200 00
4 2	49	Alice's Restaurant			10 00	190 00
4 16	—	Service Charge		✓	1 00	189 00

C

TAKE THESE EASY STEPS TO BALANCE YOUR CHECKBOOK

A WRITE THE SERVICE CHARGE SHOWN ON THE BANK STATEMENT IN YOUR CHECKBOOK AND SUBTRACT IT FROM THE CURRENT BALANCE.

B PLACE A MARK (✓) IN YOUR CHECKBOOK BESIDE THE SERVICE CHARGE.

THEN PLACE A MARK (✓) IN YOUR CHECKBOOK BESIDE EVERY DEPOSIT AND CHECK THAT IS SHOWN ON THE BANK STATEMENT.

C ON THE BALANCING FORM BELOW, LIST THE AMOUNTS OF ALL OUTSTANDING DEPOSITS (DEPOSITS THAT DO NOT HAVE A MARK (✓) BESIDE THEM).

ADD UP ALL OF THE OUTSTANDING DEPOSITS AND PLACE THE TOTAL ON THE BALANCING FORM AFTER "LIST AND TOTAL ALL OUTSTANDING DEPOSITS."

D IN THE BOXES UNDER "CHECKS OUTSTANDING," LIST THE CHECK NUMBER AND THE AMOUNT OF ALL OUTSTANDING CHECKS (CHECKS THAT DO NOT HAVE A MARK (✓) BESIDE THEM).

ADD UP THE OUTSTANDING CHECKS AND PUT THE TOTAL IN THE BOX MARKED "TOTAL" AT THE BOTTOM OF THE COLUMN.

E FILL IN THE BALANCING FORM BELOW.

WRITE IN THE NEW BALANCE FROM THE STATEMENT.

LIST AND TOTAL THE OUTSTANDING DEPOSITS (STEP C ABOVE).

ADD TOGETHER THE NEW BALANCE AND THE TOTAL OF THE OUTSTANDING DEPOSITS. WRITE IN THAT AMOUNT.

WRITE IN THE TOTAL OF THE CHECKS OUTSTANDING.

SUBTRACT THE TOTAL OF THE CHECKS OUTSTANDING FROM THE TOTAL ABOVE IT (THE NEW BALANCE PLUS THE OUTSTANDING DEPOSITS). THIS IS THE ADJUSTED BANK BALANCE. THE ADJUSTED BANK BALANCE SHOULD BE THE SAME AS THE CURRENT BALANCE IN YOUR CHECKBOOK. IF IT IS NOT, GO BACK AND CHECK YOUR WORK.

CHECKS OUTSTANDING		
CHECK NUMBER	AMOUNT	
48	20	00
49	10	00
TOTAL	30	00

BALANCING FORM

WRITE IN THE "NEW BALANCE" SHOWN ON THE FRONT OF THE STATEMENT	179	00
LIST AND TOTAL ALL OUTSTANDING DEPOSITS. WRITE THE TOTAL HERE	20	00
ADD THE TWO NUMBERS ABOVE (THE NEW BALANCE AND THE TOTAL OF THE OUTSTANDING DEPOSITS). WRITE IN THE SUM HERE	219	00
WRITE IN THE TOTAL CHECKS OUTSTANDING	30	00
SUBTRACT THE TOTAL CHECKS OUTSTANDING FROM THE NUMBER ABOVE IT (NEW BALANCE PLUS OUTSTANDING DEPOSITS). THIS IS THE ADJUSTED BANK BALANCE	189	00

Ⓔ

Donna wrote in her new balance.

Donna added together her new balance and her outstanding deposit to get a total.

Donna wrote in the total of her outstanding checks

. . . and subtracted that amount from the total above.

Donna's Bank Statement

Our Town State Bank

DONNA BLOOT
221-B BAKER STREET
TALLAHASSEE, FL 32307

STATEMENT OF CHECKING ACCOUNT

ACCOUNT NUMBER 107007	FOR THE PERIOD 3-15 TO 4-14-77	PREVIOUS BALANCE 240.00

CHECKS AND CHARGES	DEPOSITS/CREDITS	DATE	BALANCE
15.00		3-20	225.00
25.00		3-24	200.00
S.C. 1.00		4-14	199.00
			NEW BALANCE - 199.00

Donna's Checkbook

BE SURE TO DEDUCT ANY PER CHECK CHARGES OR MAINTENANCE CHARGES THAT MAY APPLY

DATE	CHECK NUMBER	CHECKS ISSUED TO OR DEPOSIT RECEIVED FROM	AMOUNT OF DEPOSIT	✓	AMOUNT OF CHECK	BALANCE
						240 00
3 16	46	Sew Shop		✓	15 00	225 00
3 17	47	Dr. Robertson		✓	25 00	200 00
3 19	—	Deposit - paycheck	20 00			220 00
3 24	48	Willy's Pet Shop			20 00	200 00
4 2	49	Alice's Restaurant			10 00	~~190 00~~
4 16	—	Service Charge		✓	1 00	189 00

Activity:

Bank Statements

Balance Jeremy Thompson's checkbook by following the steps on the form below. All the information you need is contained on these pages. Do your work in two parts:

1. Work through steps A-D on this page.
2. Work through step E on page 166.

Begin with step A and follow the instructions through step D. Then turn the page to check your work.

TAKE THESE EASY STEPS TO BALANCE YOUR CHECKBOOK

A WRITE THE SERVICE CHARGE SHOWN ON THE BANK STATEMENT IN YOUR CHECKBOOK AND SUBTRACT IT FROM THE CURRENT BALANCE.

B PLACE A MARK (✓) IN YOUR CHECKBOOK BESIDE THE SERVICE CHARGE.

THEN PLACE A MARK (✓) IN YOUR CHECKBOOK BESIDE EVERY DEPOSIT AND CHECK THAT IS SHOWN ON THE BANK STATEMENT.

C ON THE BALANCING FORM BELOW, LIST THE AMOUNTS OF ALL OUTSTANDING DEPOSITS (DEPOSITS THAT DO *NOT* HAVE A MARK (✓) BESIDE THEM).

ADD UP ALL OF THE OUTSTANDING DEPOSITS AND PLACE THE TOTAL ON THE BALANCING FORM AFTER "LIST AND TOTAL ALL OUTSTANDING DEPOSITS."

D IN THE BOXES UNDER "CHECKS OUTSTANDING," LIST THE CHECK NUMBER AND THE AMOUNT OF ALL OUTSTANDING CHECKS (CHECKS THAT DO *NOT* HAVE A MARK (✓) BESIDE THEM).

ADD UP THE OUTSTANDING CHECKS AND PUT THE TOTAL IN THE BOX MARKED "TOTAL" AT THE BOTTOM OF THE COLUMN.

Stop. Go back and check your work. As you check each step, place a mark (✓) beside the letter for that step. Then turn the page to check your work so far.

RENT BALANCE IN YOUR CHECKBOOK. IF IT IS NOT, GO BACK AND CHECK YOUR WORK.

CHECKS OUTSTANDING		
CHECK NUMBER	AMOUNT	
TOTAL		

BALANCING FORM

WRITE IN THE "NEW BALANCE" SHOWN ON THE FRONT OF THE STATEMENT .....

LIST AND TOTAL ALL OUTSTANDING DEPOSITS. WRITE THE TOTAL HERE .....

ADD THE TWO NUMBERS ABOVE (THE NEW BALANCE AND THE TOTAL OF THE OUTSTANDING DEPOSITS). WRITE IN THE SUM HERE .....

WRITE IN THE TOTAL CHECKS OUTSTANDING .....

SUBTRACT THE TOTAL CHECKS OUTSTANDING FROM THE NUMBER ABOVE IT (NEW BALANCE PLUS OUTSTANDING DEPOSITS). THIS IS THE ADJUSTED BANK BALANCE .....

Jeremy's Bank Statement

Our Town State Bank

JEREMY THOMPSON
18 IVY LANE
NEWNAN, FL 32660

STATEMENT OF CHECKING ACCOUNT

ACCOUNT NUMBER 302630	FOR THE PERIOD 2-28 TO 3-27-76	PREVIOUS BALANCE 100.00

CHECKS AND CHARGES	DEPOSITS/CREDITS	DATE	BALANCE
20.00		3-10	80.00
	50.00	3-16	130.00
20.00		3-24	110.00
S.C. 2.00		3-27	108.00

NEW BALANCE - 108.00

Ⓐ

Ⓑ

Jeremy's Checkbook

BE SURE TO DEDUCT ANY PER CHECK CHARGES OR MAINTENANCE CHARGES THAT MAY APPLY

DATE	CHECK NUMBER	CHECKS ISSUED TO OR DEPOSIT RECEIVED FROM	AMOUNT OF DEPOSIT	✓	AMOUNT OF CHECK	BALANCE
						100 00
3 4	62	Sammy Ramsey			20 00	80 00
3 16	-	Deposit - Paycheck	50 00			130 00
3 17	63	Discount Grocery			20 00	110 00
3 20	-	Deposit - check from Bob	10 00			120 00
3 21	64	Credit Union			10 00	110 00
3 28	65	Doris Sport Shop			15 00	95 00

Compare your work with the form below. Be sure your work is correct before going on to the next step. Then finish filling out Jeremy's form by working through step E below. When you are done, check to see that the adjusted bank balance is the same as the current balance in your checkbook. Check your work on page 168.

TAKE THESE EASY STEPS TO BALANCE YOUR CHECKBOOK

A WRITE THE SERVICE CHARGE SHOWN ON THE BANK STATEMENT IN YOUR CHECKBOOK AND SUBTRACT IT FROM THE CURRENT BALANCE.

B PLACE A MARK (✓) IN YOUR CHECKBOOK BESIDE THE SERVICE CHARGE.

THEN PLACE A MARK (✓) IN YOUR CHECKBOOK BESIDE EVERY DEPOSIT AND CHECK THAT IS SHOWN ON THE BANK STATEMENT.

C ON THE BALANCING FORM BELOW, LIST THE AMOUNTS OF ALL OUTSTANDING DEPOSITS (DEPOSITS THAT DO *NOT* HAVE A MARK (✓) BESIDE THEM).

ADD UP ALL OF THE OUTSTANDING DEPOSITS AND PLACE THE TOTAL ON THE BALANCING FORM AFTER "LIST AND TOTAL ALL OUTSTANDING DEPOSITS."

D IN THE BOXES UNDER "CHECKS OUTSTANDING," LIST THE CHECK NUMBER AND THE AMOUNT OF ALL OUTSTANDING CHECKS (CHECKS THAT DO *NOT* HAVE A MARK (✓) BESIDE THEM).

ADD UP THE OUTSTANDING CHECKS AND PUT THE TOTAL IN THE BOX MARKED "TOTAL" AT THE BOTTOM OF THE COLUMN.

E FILL IN THE BALANCING FORM BELOW.

WRITE IN THE NEW BALANCE FROM THE STATEMENT.

LIST AND TOTAL THE OUTSTANDING DEPOSITS (STEP C ABOVE).

ADD TOGETHER THE NEW BALANCE AND THE TOTAL OF THE OUTSTANDING DEPOSITS. WRITE IN THAT AMOUNT.

WRITE IN THE TOTAL OF THE CHECKS OUTSTANDING.

SUBTRACT THE TOTAL OF THE CHECKS OUTSTANDING FROM THE TOTAL ABOVE IT (THE NEW BALANCE PLUS THE OUTSTANDING DEPOSITS). THIS IS THE ADJUSTED BANK BALANCE. THE ADJUSTED BANK BALANCE SHOULD BE THE SAME AS THE CURRENT BALANCE IN YOUR CHECKBOOK. IF IT IS NOT, GO BACK AND CHECK YOUR WORK.

CHECKS OUTSTANDING		
CHECK NUMBER	AMOUNT	
64	10	00
65	15	00
TOTAL	25	00

BALANCING FORM

WRITE IN THE "NEW BALANCE" SHOWN ON THE FRONT OF THE STATEMENT	
LIST AND TOTAL ALL OUTSTANDING DEPOSITS. WRITE THE TOTAL HERE	10 00
ADD THE TWO NUMBERS ABOVE (THE NEW BALANCE AND THE TOTAL OF THE OUTSTANDING DEPOSITS). WRITE IN THE SUM HERE	
WRITE IN THE TOTAL CHECKS OUTSTANDING	
SUBTRACT THE TOTAL CHECKS OUTSTANDING FROM THE NUMBER ABOVE IT (NEW BALANCE PLUS OUTSTANDING DEPOSITS). THIS IS THE ADJUSTED BANK BALANCE	

Jeremy's Bank Statement

Our Town State Bank

JEREMY THOMPSON
18 IVY LANE
NEWNAN, FL 32660

STATEMENT OF CHECKING ACCOUNT

ACCOUNT NUMBER 302630	FOR THE PERIOD 2-28 TO 3-27-76	PREVIOUS BALANCE 100.00

CHECKS AND CHARGES	DEPOSITS/CREDITS	DATE	BALANCE
20.00		3-10	80.00
	50.00	3-16	130.00
20.00		3-24	110.00
S.C. 2.00		3-27	108.00

NEW BALANCE - 108.00

Jeremy's Checkbook

BE SURE TO DEDUCT ANY PER CHECK CHARGES OR MAINTENANCE CHARGES THAT MAY APPLY

DATE	CHECK NUMBER	CHECKS ISSUED TO OR DEPOSIT RECEIVED FROM	AMOUNT OF DEPOSIT	✓	AMOUNT OF CHECK	BALANCE
						100 00
3 4	62	Sammy Ramsey		✓	20 00	80 00
3 16	-	Deposit - Paycheck.	50 00	✓		130 00
3 17	63	Discount Grocery		✓	20 00	110 00
3 21	64	Credit Union			10 00	100 00
3 28	65	Doni's Sport Shop			15 00	85 00
4 1	-	Deposit - Check from Bob	10 00			95 00
4 2	-	Service Charge		✓	2 00	93 00

Your form should look like this. If it does not, go back and check your work. On the performance test that follows you will be asked to balance Jose Swanson's checkbook without the help of arrows; so be sure that you know where each number on the balancing form comes from.

TAKE THESE EASY STEPS TO BALANCE YOUR CHECKBOOK

A WRITE THE SERVICE CHARGE SHOWN ON THE BANK STATEMENT IN YOUR CHECKBOOK AND SUBTRACT IT FROM THE CURRENT BALANCE.

B PLACE A MARK (✓) IN YOUR CHECKBOOK BESIDE THE SERVICE CHARGE.

THEN PLACE A MARK (✓) IN YOUR CHECKBOOK BESIDE EVERY DEPOSIT AND CHECK THAT IS SHOWN ON THE BANK STATEMENT.

C ON THE BALANCING FORM BELOW, LIST THE AMOUNTS OF ALL OUTSTANDING DEPOSITS (DEPOSITS THAT DO *NOT* HAVE A MARK (✓) BESIDE THEM).

ADD UP ALL OF THE OUTSTANDING DEPOSITS AND PLACE THE TOTAL ON THE BALANCING FORM AFTER "LIST AND TOTAL ALL OUTSTANDING DEPOSITS."

D IN THE BOXES UNDER "CHECKS OUTSTANDING," LIST THE CHECK NUMBER AND THE AMOUNT OF ALL OUTSTANDING CHECKS (CHECKS THAT DO *NOT* HAVE A MARK (✓) BESIDE THEM).

ADD UP THE OUTSTANDING CHECKS AND PUT THE TOTAL IN THE BOX MARKED "TOTAL" AT THE BOTTOM OF THE COLUMN.

E FILL IN THE BALANCING FORM BELOW:

WRITE IN THE NEW BALANCE FROM THE STATEMENT.

LIST AND TOTAL THE OUTSTANDING DEPOSITS (STEP C ABOVE).

ADD TOGETHER THE NEW BALANCE AND THE TOTAL OF THE OUTSTANDING DEPOSITS. WRITE IN THAT AMOUNT.

WRITE IN THE TOTAL OF THE CHECKS OUTSTANDING.

SUBTRACT THE TOTAL OF THE CHECKS OUTSTANDING FROM THE TOTAL ABOVE IT (THE NEW BALANCE PLUS THE OUTSTANDING DEPOSITS). THIS IS THE ADJUSTED BANK BALANCE. THE ADJUSTED BANK BALANCE SHOULD BE THE SAME AS THE CURRENT BALANCE IN YOUR CHECKBOOK. IF IT IS NOT, GO BACK AND CHECK YOUR WORK.

CHECKS OUTSTANDING		
CHECK NUMBER	AMOUNT	
64	10	00
65	15	00
TOTAL	25	00

BALANCING FORM

WRITE IN THE "NEW BALANCE" SHOWN ON THE FRONT OF THE STATEMENT	108	00
LIST AND TOTAL ALL OUTSTANDING DEPOSITS. WRITE THE TOTAL HERE	10	00
ADD THE TWO NUMBERS ABOVE (THE NEW BALANCE AND THE TOTAL OF THE OUTSTANDING DEPOSITS). WRITE IN THE SUM HERE	118	00
WRITE IN THE TOTAL CHECKS OUTSTANDING	25	00
SUBTRACT THE TOTAL CHECKS OUTSTANDING FROM THE NUMBER ABOVE IT (NEW BALANCE PLUS OUTSTANDING DEPOSITS). THIS IS THE ADJUSTED BANK BALANCE	93	00

Name _____

Date _____

Performance Test

Do it! *Objective 15*

Balance Jose's checkbook on pages 170-171. When you have finished, turn back to this checklist. Use it to see if your work is correct. Then show your work to your instructor. Each item on the checklist must be marked (✓) correct for you to pass this objective.

PERFORMANCE CHECKLIST

- ☐ Write the service charge in the checkbook and subtract it from the balance
- ☐ Place a mark (✓) after the service charge and every deposit and check that is shown on the bank statement
- ☐ List and add up all outstanding deposits
- ☐ List the number and amount of each outstanding check
- ☐ Add up all outstanding checks
- ☐ Write in the new balance
- ☐ Add the new balance and the total of outstanding deposits
- ☐ Write in the total of outstanding checks
- ☐ Subtract outstanding checks from the sum of the new balance and outstanding deposits to obtain the correct adjusted bank balance

Jose's Bank Statement

Our Town State Bank

JOSE SWANSON
P.O. BOX 222
SOCIAL CIRCLE, FL 32228

STATEMENT OF CHECKING ACCOUNT

ACCOUNT NUMBER 999111	FOR THE PERIOD 2-20 TO3-19-77	PREVIOUS BALANCE 102.00

CHECKS AND CHARGES	DEPOSITS/CREDITS	DATE	BALANCE
10.00		3-6	92.00
5.00		3-15	87.00
5.00		3-18	82.00
S. C. 2.00		3-19	80.00
			NEW BALANCE-80.00

Jose's Checkbook

BE SURE TO DEDUCT ANY PER CHECK CHARGES OR MAINTENANCE CHARGES THAT MAY APPLY

DATE	CHECK NUMBER	CHECKS ISSUED TO OR DEPOSIT RECEIVED FROM	AMOUNT OF DEPOSIT	✓	AMOUNT OF CHECK	BALANCE
						102 00
3 4	32	FARMERS MARKET			10 00	92 00
3 11	33	FAST FOOD STORE			5 00	87 00
3 12	—	INCOME TAX REFUND	20 00			107 00
3 14	34	PIZZA KING			5 00	102 00
3 18	35	MAC's SLACK SHACK			10 00	92 00
3 18	36	ROD's GARAGE			20 00	72 00

170

TAKE THESE EASY STEPS TO BALANCE YOUR CHECKBOOK

A WRITE THE SERVICE CHARGE SHOWN ON THE BANK STATEMENT IN YOUR CHECKBOOK AND SUBTRACT IT FROM THE CURRENT BALANCE.

B PLACE A MARK (✓) IN YOUR CHECKBOOK BESIDE THE SERVICE CHARGE.

THEN PLACE A MARK (✓) IN YOUR CHECKBOOK BESIDE EVERY DEPOSIT AND CHECK THAT IS SHOWN ON THE BANK STATEMENT.

C ON THE BALANCING FORM BELOW, LIST THE AMOUNTS OF ALL OUTSTANDING DEPOSITS (DEPOSITS THAT DO *NOT* HAVE A MARK (✓) BESIDE THEM).

ADD UP ALL OF THE OUTSTANDING DEPOSITS AND PLACE THE TOTAL ON THE BALANCING FORM AFTER "LIST AND TOTAL ALL OUTSTANDING DEPOSITS."

D IN THE BOXES UNDER "CHECKS OUTSTANDING," LIST THE CHECK NUMBER AND THE AMOUNT OF ALL OUTSTANDING CHECKS (CHECKS THAT DO *NOT* HAVE A MARK (✓) BESIDE THEM).

ADD UP THE OUTSTANDING CHECKS AND PUT THE TOTAL IN THE BOX MARKED "TOTAL" AT THE BOTTOM OF THE COLUMN.

E FILL IN THE BALANCING FORM BELOW:

WRITE IN THE NEW BALANCE FROM THE STATEMENT.

LIST AND TOTAL THE OUTSTANDING DEPOSITS (STEP C ABOVE).

ADD TOGETHER THE NEW BALANCE AND THE TOTAL OF THE OUTSTANDING DEPOSITS. WRITE IN THAT AMOUNT.

WRITE IN THE TOTAL OF THE CHECKS OUTSTANDING.

SUBTRACT THE TOTAL OF THE CHECKS OUTSTANDING FROM THE TOTAL ABOVE IT (THE NEW BALANCE PLUS THE OUTSTANDING DEPOSITS). THIS IS THE ADJUSTED BANK BALANCE. THE ADJUSTED BANK BALANCE SHOULD BE THE SAME AS THE CURRENT BALANCE IN YOUR CHECKBOOK. IF IT IS NOT, GO BACK AND CHECK YOUR WORK.

CHECKS OUTSTANDING		
CHECK NUMBER	AMOUNT	
TOTAL		

BALANCING FORM

WRITE IN THE "NEW BALANCE" SHOWN ON THE FRONT OF THE STATEMENT	
LIST AND TOTAL ALL OUTSTANDING DEPOSITS. WRITE THE TOTAL HERE	
ADD THE TWO NUMBERS ABOVE (THE NEW BALANCE AND THE TOTAL OF THE OUTSTANDING DEPOSITS). WRITE IN THE SUM HERE	
WRITE IN THE TOTAL CHECKS OUTSTANDING	
SUBTRACT THE TOTAL CHECKS OUTSTANDING FROM THE NUMBER ABOVE IT (NEW BALANCE PLUS OUTSTANDING DEPOSITS). THIS IS THE ADJUSTED BANK BALANCE	

Turn back to page 169 and use the performance checklist to check your work.

Unit Review

Read over these knowledge objectives. For each one, think whether you can do what the objective asks. If not, review now. The page numbers are listed next to each objective. Your instructor will give you a final unit test on these knowledge objectives.

Knowledge Objectives	Pages
1. List three paycheck deductions.	8-12
2. Identify four fringe benefits.	13-18
3. List three services that taxes pay for.	19-20
5. List five smart shopping rules.	68-74
6. List four dangers of buying on credit.	77-80
7. List three results of not making credit payments on time.	81-84
8. List three reasons for keeping a budget.	87-90
10. Identify five types of insurance.	107-112
11. Identify high and low interest loan sources.	115-120
12. List three benefits of keeping a savings account.	123-128

You have already been tested on the performance objectives, and so you won't be tested on them in the unit test. If you haven't completed the performance tests, go back now and do them. Check the list at the front of this booklet (page 7) to be sure you have completed all of the performance objectives, and that your instructor has initialed them.

Performance Objectives—The Do it! Objectives

4. Fill out a federal income tax form.
9. Balance a personal budget.
13. Fill out a deposit slip.
14. Write a check.
15. Balance a checkbook.

Glossary

A

account record of money received and spent

additional extra, more. The IRS gives the taxpayer an additional tax cut if s(he) is blind.

adjusted bank balance the current balance shown on your bank statement minus all outstanding checks and plus all outstanding deposits. If your checkbook balances, the adjusted bank balance will equal the current balance in your checkbook less the bank service charge.

adjusted gross income the amount of your yearly income on which the government will figure taxes. This includes your salary, interest income, and dividends from stocks.

advantage benefit; anything that will help get something done

allowance something given or granted; a reduction in taxes allowed by the government

arrested seized by the police for breaking the law; taken to jail

audit to check or examine a person's records to see if they are correct. You should keep a record of your expenses in case the IRS decides to audit your tax return.

B

balance to be equal in amount; part that is left over; remainder

bank statement a typed record of the checks you've written and the deposits you've made. The bank sends its checking account customers a statement once each month.

bond certificate issued by a government or private company which promises to pay back, with interest, the money borrowed from the buyer of the certificate

bonus something extra; more than what is due. An employer may give the salesclerk who sells the most merchandise a $50 bonus.

budget a plan for spending money; setting money aside to meet all expenses

C

campaign a number of connected activities to elect a person to public office

cancelled check a check you have written that's been sent to the bank for payment. The bank stamps (cancels) the check and subtracts the amount from your account. At the end of the month, your cancelled checks are mailed to you with the bank statement.

candidate person who seeks a political office

career way of living; occupation or profession

certificate a written or printed statement that says that something is true or correct. A W-4 form is a certificate that shows how many exemptions you are allowed by law.

collision a car accident or crash

compensation pay

comprehensive insurance automobile insurance that covers your car if it is stolen, burned, or broken into

contract written agreement that can be enforced by law. In a contract, two or more people agree to do certain things.

credit buying something now and paying later, as in, "He bought his TV on credit." Credit also means to apply or put toward, as in, "Do you wish to credit your tax refund toward next year's taxes?"

credit rating your reputation in money matters

credit union an employee group or association, similar to a bank, that offers savings programs and low-cost loans to its members

currency paper money, such as dollar bills

current balance the amount of money in a bank account at the present time

D

deduction something that is subtracted, taken away

dependent someone who needs another person for support

deposit money added to a savings or checking account

disable to make unable; cripple

discount amount taken off a price

discourage to make undesirable; to prevent

dividend money earned as profit by a company and divided among the owners of the company

E

employee a worker hired for a specific job

employer person or firm that hires workers

enter to write in; as in, "Enter the total number of deductions."

entitle to give permission or the right. Workers are entitled to receive Social Security benefits when they retire.

estimate to guess how much or how many. You can't always estimate the weight of a box simply by looking at its size.

exclusion something kept out

exemption dependent; person you support, including yourself, who causes the amount of your income tax to be lowered

expense cost or charge; cause of spending. If you budget your income well, you'll have enough money to cover your expenses.

F

federal government the United States government

fee money asked for or paid for some service; charge

FICA Federal Insurance Contributions Act. See **Social Security.**

file to fill out and send in a federal income tax form

filing status on the income tax return (1040 and 1040A) form, one of the five groups that describes you: single, married filing joint return, married filing separately, unmarried head of household, or qualifying widow(er) with dependent child

finances money matters; having to do with managing money

fringe benefits advantages of having a certain job, such as paid vacations and group insurance

G

glossary list of words with their meanings
gross earnings total amount of pay before any deductions have been made
guarantee pledge to replace or repair an item if it is broken through no fault of the buyer

I

imitation copy; something that looks very similar to another
income tax tax on a person's income above a certain amount
indicate to show or make known by making a mark, such as (✓) or (x)
instructions directions, telling or showing how to do something
insurance security from loss; money paid in case of loss, accident, or death
interest money paid for the use of money; borrowing charge
Internal Revenue Service (IRS) the agency of the federal government that collects income tax
itemize to list expenses item by item

L

liability insurance car insurance, required by law in Florida, that will pay for damage to the other car and medical bills if an accident is your fault
local in the same city or county
luxury comforts of life beyond what is necessary; extras

M

marital status whether you are married, single, widowed, separated, or divorced
medical and dental services doctor and dentist visits and the cost of medicines

N

net pay the actual pay received after deductions have been made

O

objective a task you'll be able to do when you complete this unit
occupation career, profession
opportunity chance; good time to do or get something
outstanding unpaid or uncollected. Outstanding checks are those that you've written, but that haven't shown up yet on your bank statement.
overdrawn checks written for more money than you have in your checking account. The bank usually charges you a fee each time your account is overdrawn.

P

passbook a customer's record of his/her savings account. The teller writes the amount of each deposit and withdrawal in your savings passbook.
pawnshop a store that lends money in exchange for an item. When you pay back the loan, at high interest, you get your property back. If you can't pay back the money on time, you lose your property.

penalty a punishment or loss that results from breaking a law. Going to jail or paying a fine are penalties for some crimes.

perjury telling a lie, especially under oath. It is perjury to sign your income tax return if you know that some of the information is incorrect.

politician person who gives much time to political affairs; an elected official, like a mayor, senator, or president

preparer a person who helps you file, or prepare, your income tax return

previous Social Security number the Social Security number you had in the past, if different from the one you have now. Usually a person has the same Social Security number for life.

profit making earning more money than is necessary to pay bills, salaries, and expenses; making or earning money

Q

qualify to meet certain requirements; to have the right requirements to do or receive something

quantity amount

R

recommend speak highly of; put in a good word for

refund tax money returned to you

reputation what people think and say the character of a person is; name. A person with a reputation for paying bills late will have a hard time getting credit.

require demand; order; need

retirement giving up a job when you reach a certain age or after working a certain number of years

S

salary rate of pay

savings and loan association a company that offers different kinds of savings accounts and makes loans for the purchase and improvement of land, buildings, and other property

service charge the fee banks charge you for having a checking account

signature a person's name written (not printed) by himself/herself

signature card a card you sign with your name when you open a savings or checking account. This way the bank or savings and loan association has a record of your signature and no one else can withdraw money from your account or sign your checks.

Social Security the U.S. government program of insurance paid for by workers, employers, and the federal government. Workers can collect Social Security if they become disabled or when they retire.

Social Security number the number on the card given to each worker that is the same as the worker's account number with the government

source place where something can be obtained

specify mention or name definitely
spouse husband or wife
stock shares in a company. The profits of a company are divided among the owners of stock.
swear to take an oath or promise that something is true

T

tax return federal income tax form
theft stealing
tip a small present of money in return for a service
transaction piece of business. When you deposit money in your account, the teller will make a record of the transaction in your passbook.

U

unemployment compensation a program that pays workers if they lose their jobs through no fault of their own
union a group of workers joined together to protect and promote their interests
utilities public services such as telephone, electricity, and garbage collection

W

wage amount paid for work
withdrawal money taken out of a bank account
withholding; withheld something held back or kept. Withholding tax is federal income tax taken directly out of your paycheck.
workmen's compensation money given to a worker who is hurt on the job